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ALBANIA
Old guard feels its grip weaken
Page 3

World News

Andriessen says EC membership could double

Changes in east Europe increase the need for the European Community to prepare for a possible doubling of its current membership, EC external affairs commissioner Frans Andriessen *said in Brussels.* Page 14

Nomura role queried
Setsuya Tabuchi, former chairman of Nomura Securities, *the Japanese stockbroker,* admitted he had been questioned by public prosecutors over his company's role in financial scandals. Page 14

Major's reassurance
British prime minister John Major will today seek to reassure Hong Kong's political and business communities that *Britain will not make further* concessions to China before the colony's transfer in 1997. Page 14; Bush's China battle, Page 2; businessman to be freed, Page 4

Noriega on his own
The last of Manuel Noriega's co-defendants struck a deal with Miami prosecutors which *leaves the former Panamanian* strongman to face drug charges alone this week. The others have either been convicted or agreed to testify against him.

Dissidents defy Moi
Leading dissidents defied Kenya's one-party government by announcing plans for a rally next month to discuss "the restoration of democracy". A similar rally last year sparked riots. Page 4

Airline strike put off
Pilots and flight engineers at the French airline UTA postponed *until Saturday* a three-day strike originally planned to start today.

Fall in jobless
Unemployment in east Germany fell last month for the first time since unification and the *impact of industrial* restructuring has been somewhat less damaging than expected. Page 14

Singapore caution
Singapore's ruling People's Action party will continue to allow limited freedom of expression but further liberalisation moves will be put on hold, premier *Goh Chok Tong* said. Page 4

Nuclear safety ignored
Czechoslovakia told a nuclear power safety conference in Vienna that some of its atomic reactors were knowingly built *below safety standards* in the 1970s, following Soviet practice.

Zambia sets poll date
President Kenneth Kaunda announced that Zambia's first multi-party elections in two decades would take place on October 31.

British actor fined
British film actor John Hurt was banned from driving for 12 months and fined $340 after pleading guilty in a Dublin court to drunken and dangerous driving.

Bishop accused of rape
Roman Catholic Bishop Hubert O'Connor will go on trial in January in British Columbia on two counts of indecent assault and two counts of rape. *The charges* relate to alleged incidents in the late 1960s.

Actor-writer dies
Thomas Tryon, an American actor who gave up films to write best-selling books, died in Los Angeles aged 65. He was author of The Other and Harvest Home.

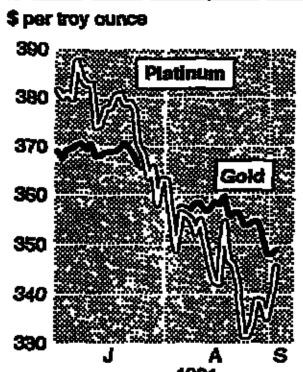
Problem solved
Nearly half the inmates of the main jail in Niamey, Niger, escaped overnight during a protest against overcrowding. More than 350 out of 789 got away.

Business Summary

Union Pacific takes $870m third-quarter charge

UNION PACIFIC, the US railroad company that opened up the west in the 1890s, is to take a $870m pre-tax charge against third-quarter earnings, declare up to 4,000 redundancies in the coming years and axe up to 7,100 miles of track. Page 15

PLATINUM moved closer to parity with gold in London yesterday, although platinum closed off the day's highs after news that Impala of South Africa was closing its Bafokeng North Mine until further notice. The point of parity between the two metals was seen at resistance levels, with *the market* focused on $350 a troy ounce. Page 26



Source: Datastream

SALOMON BROTHERS has been dropped as US lead manager in the November sale of *part of the British* government's stake in telecoms company BT. Goldman Sachs, Merrill Lynch and Morgan Stanley have been asked to pitch for the job. Page 16

BAT Industries has picked the head of Mars Corporation's UK confectionery business to head Allied Dunbar, its life insurance arm. The UK tobacco and financial services group also announced half-year *pre-tax profits 24 per cent* lower at £413m. Page 15; Lex, Page 14

OMNI, collapsed empire of Swiss financier Werner Rey, *will leave creditors with heavier* losses than expected, according to the administrators. Page 15

COMMERZBANK of Germany *and Crédit Lyonnais of* France confirmed they had scrapped talks about a share swap but said routine co-operation would be unaffected. Page 16

PHILIPS, Dutch electronics group, has recruited an American from Hewlett-Packard as head of technology as well as replacing the head of its consumer electronics division. Page 15

EUROBONDS: The UK Office of Fair Trading has decided not pursue the "polite inquiries" it launched into new issue syndication practice in London's Eurobond market. Page 20

BRIERLEY Investments will control 31 per cent of Cater Holt Harvey, New Zealand's biggest forestry group, after Cater Holt's recent rights issue. Page 19

SEAGRAM'S of Canada, a leading world drinks groups, reported second-quarter operating profits of US$120m after a $29m charge for restructuring its European operations. *Profits were $150m a year earlier.* Page 18

CAMPBELL Soup, US foods group, showed the fruits of a year's restructuring in fourth quarter net earnings of $84.7m against a $232.8m loss in the same period of 1990. Page 18

SUGAR TRADING: London's raw sugar futures market is reverting to a traditional trading floor after only eight months' dealing on screen. Page 26

INDIAN public sector companies may be invited to take stakes in nationalised banks as part of a recapitalisation programme. Page 4

Kohl warns Soviet Union must retain unified policies

By Quentin Peel in Bonn

MR HELMUT KOHL, the German chancellor, yesterday issued a strong warning that the Soviet Union must preserve a common foreign policy, a united military command and a single coherent economic programme for it to do business with the western world.

His statement, the toughest yet by the German government – which has provided the lion's share of aid to the Soviet Union in the past two years – revealed a grave concern at the disintegration process underway there.

It suggests Germany is moving closer to the British and US position within the Group of Seven leading industrial countries by stressing conditions on aid, although Mr Kohl's particular emphasis on the need for unified policies goes beyond concerns expressed by other western leaders.

He quoted EC figures showing that Germany had already provided an estimated 56 per cent of all financial aid to the Soviet Union, and 32 per cent of all aid to the rest of eastern Europe in the past two years – more than DM90bn ($51.4bn), DM60bn of which went to Moscow. "We Germans are already at the limit of our capacity" to provide assistance, he said.

While paying warm tribute to the role of Mr Boris Yeltsin, the Russian president, in stopping the August coup by hard-line Communist and the security forces, Mr Kohl threw all his weight behind President Mikhail Gorbachev's efforts to preserve the basis of a "renewed Soviet Union."

His comments came as the Congress of People's Deputies, the Soviet Union's supreme lawmaking body, delayed until today any binding decision on a new structure devolving much power to the republics.

Mr Kohl appeared to take a contradictory stance over Yugoslavia, where the continuing conflict is also causing deep anxiety in Bonn, warning that if peaceful dialogue failed, then Germany would actively consider recognition of the independence "of those republics which no longer wish to be part of Yugoslavia."

His overview of foreign policy, presented in the budgetdebate of the Bundestag, concentrated almost entirely on the turmoil in eastern Europe and the Soviet Union. Mr Kohl called for the strongest support for Mr Gorbachev's attempt to create a renewed Soviet Union of sovereign republics, expressing "unity in diversity" – although he explicitly excluded the Baltic republics, whose independence he welcomed.

Then He then proceeded to underline all the crucial areas where he believed that unity
Continued on Page 14

Economic reform now impossible; Hogg evasive about gold, Page 2

Serb militants seize territory in rebel Yugoslav republic

By *Laura Silber* in Belgrade and *Quentin Peel* in Bonn

SOME OF the worst fighting for weeks in Yugoslavia left 16 people dead yesterday after Serb militants, backed by the Yugoslav federal army, attacked several villages in the breakaway republic of Croatia.

The attack left Croatia virtually split, with the eastern regions of the republic firmly under Serb control while the rest faces the prospect of fresh assaults.

The wave of violence came just two days before European Community foreign ministers and Yugoslav leaders open a *peace conference on the future* of Yugoslavia. It coincided with renewed warnings by the German government that it would give formal diplomatic recognition to Croatia and Slovenia if there was no immediate end to the fighting. Speaking in Bonn, Mr Hans-Dietrich Genscher, German foreign minister, warned that "every shot *fired brings recognition* closer".

Chancellor Helmut Kohl in an important review of foreign policy, said that "if dialogue and peaceful exchange are no longer possible, then the question must arise for us, whether *to recognise under international* law those republics which no longer wish to belong to Yugoslavia".

The fighting underlined the completeness of the breakdown of a ceasefire agreed last weekend between EC officials and the presidents of Yugoslavia's six republics. Zagreb radio said the fighting was centred on villages around Okucani, a town 70 miles east of Zagreb, the Croatian capital, which was occupied by Serb militants and federal army units.

A *federal commission* in Belgrade charged with finding a compromise solution for Yugoslavia, said yesterday the country could be broken up into several independent nations, leaving a union of those who wished to stay together. Serbs in Croatia rejected the plan.

Tanjug, the Belgrade-based official Yugoslav news agency, said, however, that "Croatian forces without provocation *attacked Serbian villages* in Slavonija", the region of eastern Croatia.

Yesterday's battles in effect sealed off Slavonija from the rest of Croatia and cut the country's main motorway between Zagreb and Belgrade, the Serbian and federal capital.

Mr Milan Brezak, Croatia's deputy defence minister, said *that Serbian terrorists* had massed on the motorway, and were headed towards Zagreb. He added that Podravska Slatina, a town in north central Croatia had also come under army attack. Tanjug reported that the federal army was "*removing barricades and* mines" south of the main motorway on a bridge joining Croatia and the central republic of Bosnia-Hercegovina.

Confirmation of these reports would indicate that Serb militants are establishing positions in northern Bosnia-Hercegovina from which to attack parts of western Croatia. This would pave the way for carving out a greater Serbia out of the republic of Croatia.

Serb militants refuse to live in an independent Croatia on the grounds that the Croatian government discriminates against the 600,000 Serb community which make up 12 per cent of the republic's population. Several Serb-inhabited regions of Croatia have declared autonomy from the *republic. Serb militants,* backed by Mr Slobodan Milosevic, Serbia's president, seek to join these regions with Serbia.

Elsewhere, two Moslems died in fighting near the town in Bratunac, 120km northwest of Sarajevo, the capital of Bos*nia-Hercegovina*, in *some of* the first reported fighting between Slavic Moslems and Serbs in the republic.

Western diplomats said yesterday that the Yugoslav army was ignoring last weekend's ceasefire and now appeared to be openly siding with the Serbs, who could be their sole future protector in a redrawn *Yugoslavia.*

The military stands to lose half its conscripts on September 20 as all the republics, except Serbia and Montenegro, have announced that they will refuse to send new recruits to the federal army. This would leave *the army de facto* as a purely Serb force, with sharply reduced finances.

Yesterday in Belgrade, Mr Budimir Kosutic, the vice-president of Serbia, said Serbia's leaders had "never accepted the accusations" in the preamble to the declaration signed on Monday by leaders from Yugoslavia *and the European Community,* that the Serbs and federal army were mainly responsible for the fighting in Croatia.


Sharing power: F.W. de Klerk at yesterday's congress

Pretoria unveils plan for power sharing

By Philip Gawith in Bloemfontein

SOUTH AFRICA'S ruling National party yesterday marked a *radical departure* from decades of policy based on racial segregation when it outlined constitutional proposals which would replace white rule with power sharing between racial and political groups.

President F.W. de Klerk set out the proposals, which include a two-chamber legislature, a *collective presidency*, regional and local governments and guarantees for the rights of minorities, at a special congress in Bloemfontein, capital of the Orange Free State.

The proposals mark the *beginning in earnest of* the country's constitutional debate. Mr de Klerk told the congress he was "convinced that we are near a breakthrough to real negotiations."

They immediately attracted furious criticism from the African National Congress (ANC) which described them as "a recipe for disaster, *designed to deny a future* South African government the power to truly liberate the country from the misery that apartheid has wrought."

The main principles cover:

- A multi-party system at *cabinet and presidential level*, with the presidency consisting of the leaders of the three largest parties in the *lower house*, a rotating chairman, and decisions to be taken by consensus. Elections to the lower house would be proportional on the basis of one person, one vote.

- An *upper house* where the seats are allocated equally to each of the country's nine
Continued on Page 24

Cut in British interest rates fuels speculation on election

By Peter Norman, Economics Correspondent, in London

THE BRITISH government yesterday cut interest rates by half a percentage point, triggering a reduction in some rates for home loans and fuelling speculation of a November general election.

Clearing bank base rates fell to 10.5 per cent from 11 per cent shortly after the Bank of *England cut its money market* dealing rates in a move that surprised financial analysts in London.

There had been growing expectations of a rate cut to coincide with an expected sharp fall in the annual rate of retail prices inflation at the end of next week.

While the Treasury and the Bank of England insisted that the rate cut reflected falling inflation and was consistent *with the government's need to* keep sterling within its fluctuation bands in the European *Monetary System, the opposition* Labour party was quick to see it as a prelude to an early poll.

Mr Neil Kinnock, the Labour leader, told Independent Television News that the government wanted to call the election before Christmas "to try to avoid the continuing effects of the recession". He said November 7, which is now widely tipped as a possible election date, "suits me just fine".

In a statement, Mr Norman *Lamont, the chancellor of the* exchequer, described yesterday's rate cuts at "very good news for industry and consumers up and down the country". He said he hoped the cuts would "consolidate the very marked improvement in confidence that we have seen in recent weeks".

The rate cuts had little impact on financial markets and received a guarded welcome from business. The Con*federation of British Industry,* the UK employers' organisation, said the cuts should help *rebuild confidence.*

Mr Miles Middleton, president of the British Chambers of Commerce, *said* however: "We only hope that this move in the interest rate has not come too late for many businesses."

Yesterday's move prompted Britain's two largest home loans institutions to cut their rates. Abbey National, the second largest lender, moved first with a 0.4 point cut to 11.55 per cent in its core mortgage rate for loans under £60,000 and *slightly smaller cuts in the* rates on larger loans.

It was then undercut by *Halifax Building Society* which reduced its basic mortgage rate by 0.45 points to 11.5 per cent. The cuts by both lenders took effect immediately for new borrowers and will apply from next month for existing borrowers.

Inflation is set to continue falling sharply until October at least, as last year's large *increases in petrol prices drop* out of the retail prices index. Moreover, with parliament in *recess, the prime minister* should be able to make the most of his high profile activities on the international stage.
Analysis, Page 7; Lex, Page 14; Editorial Comment, Page 12

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Election results postpone *further reforms in Singapore*

Goh Chok Tong, Singapore's prime minister, is to continue to allow limited freedom of speech but further liberalisation is ruled out for now, a fter his party's disappointing electoral performance
Page 4

MARKETS

STERLING
New York lunchtime:
$1.6935
London:
$1.694 (1.692)
DM2.9425 (2.945)
FFr9.995 (10)
SFr2.5825 (same)
Y229.5 (230)
£ index 91 (same)

GOLD
New York: Comex Dec
$353 (352.9)
London:
$349 (348.5)

N SEA OIL (Argus)
Brent Oct
$20.275 (−0.225)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime:
DM1.3772
FFr5.902
SFr1.525
Y135.45
London:
DM1.7365 (1.74)
FFr5.9 (5.91)
SFr1.525 (1.527)
Y135.45 (135.95)
$ index 66.2 (66.3)
Tokyo close: 135.85

US lunchtime rates
Fed Funds: $5\frac{1}{2}$%
3-mo Treasury Bills: 5.46%
Long Bond: $100\frac{3}{4}$
yield: 8.05%

STOCK INDICES
FT-SE 100:
2,664.6 (−4.4)
FT Ordinary:
2,094.2 (−2.2)
FT-A All-Share:
1,279.89 (same)
New York lunchtime:
DJ Ind. Av.
3,016.55 (−1.12)
S&P Comp
390.54 (−1.61)
Tokyo: Nikkei
22,402.89 (−87.11)

LONDON MONEY
3-month interbank:
$10\frac{3}{8}$ ($10\frac{3}{8}$%)
Liffe long gilt future:
Dec $94\frac{13}{32}$ (Dec $94\frac{?}{32}$)

Deputies delay vote to salvage the Union

By Leyla Boulton and John Lloyd

PRESIDENT Mikhail Gorbachev is expected today to summon all his powers of persuasion to push through the moribund parliament a plan to salvage what is left of the Soviet Union.

Recovering much of his former self-confidence, Mr Gorbachev yesterday bullied the Congress of People's Deputies into agreeing to discuss the latest draft of a plan transferring political supremacy to the republics.

But the Soviet Union's supreme law-making body put off voting until today, to give lawmakers time overnight to amend the proposals so they can obtain a two-thirds majority needed for constitutional amendments.

However, the Congress will leave the question of recognising Baltic independence off the agenda.

Mr Algimantas Cekuolis, a Lithuanian deputy, said Mr Gorbachev planned to recognise the independence of Lithuania, Estonia and Latvia by decree. He said three decrees had been drafted by the three republics for the president to sign, although it is unclear when.

Leading radicals, Mr Gorbachev's new allies since the failed putsch, urged deputies to support the plan for a new confederation and place the national interest above selfish fears for their own careers.

"If we don't take this decision, then all the plotters and speakers who supported them will applaud you," said Mr Anatoly Sobchak, mayor of Leningrad and one of the most authoritative voices in parliament.

But this did not stop a last-ditch call for resistance to the plan from Col Viktor Alksnis, a leader of the hardline Soyuz faction, who said it would destroy the Union.

"We are responsible before our state's 1,000-year history," he warned. "Why are we sitting here and remaining silent?"

The latest draft, presented yesterday, increased the number of seats for the Russian Federation in the Council of Republics, the more powerful of the two houses in the proposed new parliament.

But Russia would still have one vote, the same as other republics, despite the fact that the country's biggest republic would hold 45 seats, as opposed to only 20 for the others, in the Council of Republics.

Until more permanent arrangements and fresh elections, deputies would be chosen by republican parliaments.

As foreseen by initial drafts, a State Council comprising President Gorbachev and republic leaders would carry the real clout in a new transitional system for Union decision-making.

The post of vice-president, last occupied by Mr Gennady Yanayev, the disgraced titular coup leader, would be dropped. An inter-republican economic committee would co-ordinate whatever is salvaged of a common economic policy.

The new draft also provides for negotiations with republics which decide to shun a new confederation. Each republic in the new confederation would determine how much power it kept for itself and what would be delegated to the Union.

If the parliament fails to take a decision today, the signs are it may be bypassed altogether by the republics.

Plans to dissolve the more than 60 central ministries are ready to be implemented as soon as the Congress is over. Mr Alexander Shokhin, Russia's new labour minister, said in an interview yesterday that the inter-republican committee, foreseen by the new plan, would employ a small number of dismissed ministry officials.

Others could find jobs with new republic ministries, which are set to take over most of the functions of their discredited Union counterparts.

Power shift precludes big economic reforms

By John Lloyd in Moscow

ECONOMIC reform in the Soviet Union is now impossible, because there is no centre on which to base it.

At best, what can now be expected is agreement by the republics to mitigate the disruption of links between republics and enterprises, and to make what arrangements they can to avoid an economic collapse in the coming hard winter.

This has become evident in the three days of the extraordinary session of the Congress of Peoples' Deputies – in spite of the procession of republican leaders to the podium to pledge agreement to renew the union on a new basis.

It is now very doubtful that a Union Treaty in any form, and with it a new Soviet constitution, will be signed. Only an economic agreement – and a loose one at that – is now in prospect.

All republics, except Russia, have declared independence. The Baltics have effectively achieved it. Ukraine, the second most populous state, is preparing both its own currency and its own military forces. There no longer exists a basis on which a Union,

The centre has the structures to administer the economy, but has no authority. . . .

with a separate constitutional existence, can be supported.

However, the republics know well that they must find some forum within which to organise their mutual dependence, bred in the decades of an integrated economy.

Professor Stanislav Shatalin, the leading economic reformer, with a group of Russian economists, has elaborated a framework of economic co-operation for the 15 republics. He says this could even be extended to the former socialist countries of east-central europe, whose economies have been devastated by the collapse of the Comecon links.

Professor Shatalin met representatives of nearly all republics, most of them deputy prime ministers, over the weekend. He says he secured broad agreement from them that such a framework was necessary.

It is conceived, however, as a very loose arrangement. Professor Shatalin accepts that a number of republics may adopt their own currencies, and has proposed only that a common currency, the rouble, be used for inter-republican accounting, while other currencies be used within the individual states.

Many prominent economists doubt that any binding agreement can be reached by the republics of what is now routinely described as the "former Soviet Union".

Mr Igor Gaidar, director of the Higher Commercial School at the Institute of the National Economy, one of the leading economic research bodies, pointed to two central paradoxes of the post-coup period.

First: the centre has the structures to administer the economy but no authority, while the republics have the authority but no structures. The main task now, as he sees it, is not to pull authority back to the centre, but to recognise reality and devolve executive authority, and the means to enforce it, to the republics.

Second: on the one hand, "the coup opened the way to radical reform by ending the confrontation between Russia and the Soviet power". At the same time, though, it destroyed the central means of organising economic reform.

Thus the measures which are needed – and which should be taken at the centre, such as converting the rouble and liberalising prices – can no longer be pushed through

The Soviet republics do have the authority, but they do not have the structures

because each republic wishes to take its own decision on when to proceed with, or delay, these large steps.

As the deputies debated the possibility of a new Union, in the Congress of People's Deputies, their republican counterparts were simultaneously demonstrating its dissolution. President Nursultan Nazarbayev of Kazakhstan, who proposed the renewal of the union on Monday, has since signed a decree for Kazakhstan to conduct its own foreign trade and organise its own gold reserves.

In the dominant Russian federation, ministers are already at work preparing to soften the shocks of a dissolving union.

On the front line is Mr Alexander Shokhin, a former adviser to Mr Eduard Shevardnaze when the latter was Soviet foreign minister, and now Russia's labour minister. He faces an influx of some 1.2m Russians fleeing republics which have declared independence. He must try to find them jobs, or at least training courses, while the local authorities must try to find scarce flats in which to house them.

He said: "It is now very difficult to see what the central rules of an economic treaty would be, and how we could get the members to observe them. We need tough measures, but how do we introduce them?"

Hardline deputies, resisting plans for a new confederation, signing a petition yesterday. At far left is Viktor Alksnis of the right-wing Soyuz group

Ukraine passes to democrats

By Chrystia Freeland in Kiev

UKRAINIAN nationalist deputies yesterday gained control of the republic's parliament while outside, as the Soviet flag still fluttered, a large demonstration overturned police barricades and stormed the building chanting "Down with the red rag".

The visibly shaken government despatched a former dissident, Mr Levko Lukianenko, to tell the crowd it would be replaced by the Ukraine's yellow and blue national colours, which less than a year ago it was illegal to display.

As they waited, "Down with Kravchuk" was another common cry. Mr Leonid Kravchuk, the ex-communist leader of the Ukraine, had manoeuvred parliament into accepting a compromise to a long-standing dispute over national symbols by threatening to resign if MPs did not vote to have both the communist flag and the national one flown atop their buildings. Yesterday's events were thus a personal setback for him.

The Ukraine, the second most powerful Soviet republic, is now likely to steer a more radical course towards independence.

The Communist party, traditionally the most orthodox in the Union, had attempted to overturn the government's decision last week to disband the party. But although 324 of the 450 MPs were communists before the failed putsch, yesterday the party could muster only 50 votes.

The democrats used their new majority to dismiss the communist attorney general of the republic, Mr Mykhail Potebenko, and replace him with a member of their caucus, Mr Viktor Shyshkyn.

The sacking was particularly poignant because Mr Potebenko is the man responsible for jailing many of the former dissidents who are now taking charge. Deputies yesterday voted to restore the parliamentary immunity of Mr Stepan Khmara, who was imprisoned by Mr Potebenko last year.

Minister urges quick debt division

By John Thornhill

MR ERNEST OBMINSKY, the Soviet deputy foreign minister, said yesterday that Moscow and the republics should urgently address the question of dividing the Soviet Union's $65bn foreign debt.

Speaking in London after talks with the European Bank of Reconstruction and Development, Mr Obminsky said the Soviet Union was committed to repaying the debt "but in the new conditions negotiations on how to tackle this problem should be speeded up."

In spite of the political fragmentation in the Soviet Union, Mr Obminsky said that western creditors should be able to deal with a single co-ordinating body. "The Western creditors should not have to go to Kazakhstan or Turkmenia saying 'what will you repay us'. The republics should channel the money through a central authority which will deal with the west in repaying the money."

He added that the republics had already agreed that the Soviet Union's debt should be parcelled out between them although the method had not yet been decided.

But, whether the debt was divided on a per capita basis or as a proportion of each republic's income, Russia would be responsible for the bulk of it, he said.

Mr Obminsky held out the possibility that some debt could be converted into investments in Soviet enterprises via debt-for-equity swaps. "The emphasis should be about switching from official loans to direct investment," he said.

He will shortly hold meetings with the International Monetary Fund and the World Bank in the US although representatives of the two bodies might first visit Moscow on September 23.

Mr Obminsky described the reaction of the EBRD to the Soviet delegation as "very enthusiastic" and said there had been some discussion about changing the limits on the amount of financial assistance the bank could provide. The EBRD is restricted to lending up to $235m (£139.8m) over the next three years.

Hogg evasive about gold during visit to Lithuania

By Gillian Tett in Vilnius

MR DOUGLAS HOGG, the first British minister to visit Lithuania in 50 years, said yesterday Britain was keen to help the Baltic republic in every way possible but remained evasive over the question of compensation for Baltic gold.

"We have not come to any firm proposal about the gold...but we want to be constructive," said Mr Hogg, foreign office minister of state. He added that the matter would be discussed by British lawyers when Lithuanian technical advisers came to Britain.

The gold was deposited in Britain by the Baltic states during their brief period of independence before Soviet annexation in 1940. Now valued at about $160m (£95.2m), it was sold by the British government in the 1960s to settle a British-Soviet dispute.

The delay in settling the gold issue is fuelling resentment in Lithuania about what it sees as Britain's cautious approach to the Baltics – particularly given the enthusiasm of many of the other foreign delegations who have streamed through Vilnius in recent days.

France last week pledged to return 2.1 tonnes of Baltic gold deposited in French banks.

"With our economy in such dire straits we need the British gold urgently," explained Mr Raimondas Kutra, chairman of the Lithuanian Bank for Foreign Affairs.

However, Mr Vytautas Landsbergis, Lithuanian president, said he was uncertain how much compensation Lithuania would be demanding. Baltic leaders are unsure about what proportion of the gold deposited in Britain each Baltic republic can claim.

On the issue of financial aid Mr Hogg implied that Britain still regarded the Baltics as part of the Soviet Union for aid purposes. He said a British diplomatic post would be established in Vilnius by next year.

● The president of Moldova issued decrees in a bid to end five decades of Soviet military presence and create a republican army, Reuter reports from Kishiniev.

The decrees were the latest moves by the non-communist leadership to break Moscow's hold on Moldova, which declared independence last week.

"The government of the USSR is requested to order the unconditional withdrawal of Soviet army troops deployed on the territory of the Moldova republic," read the first decree by President Mircea Snegur.

In a separate decree, Snegur said the Soviet government must unconditionally withdraw two Interior Ministry armed units from the republic. A third announced the creation of Moldova's own armed forces.

● Azerbaijan prepared for elections on Sunday, Ariane Genillard reports from Baku.

Mr Ayaz Mutalibov, the president, is expected to be re-elected, since he is the only candidate following the withdrawal of the Social Democrats' only runner.

The Communist party, in an effort to capitalise on nationalist feeling, intends to rename itself the Party of the Azerbaijani Renaissance at its congress on September 21.

Its policy shift away from Moscow has further weakened the once-powerful nationalist Azerbaijani Popular Front.

Governments could be main creditors

By Stephen Fidler

A CONTINUED withdrawal of funds by foreign banks from the Soviet Union this year will leave foreign governments, mainly in the west, as the Soviet Union's main creditors, according to a report distributed privately to international banks this week.

The report, from the Institute of International Finance, the Washington-based research group funded mainly by international banks, makes clear that western governments will become the dominant Soviet creditor, even if there is no increase in aid following the failure of last month's attempted coup.

The report concludes that in theory the Soviet Union should be able to service all its foreign debt principal and interest obligations this year.

However, uncertainties arising from the power struggle between the centre and the republics, and among the republics themselves, could affect this.

"In any case, the continued willingness of the authorities to meet debt servicing obligations is crucial for future access to the global capital market, not only by the union but by the individual republics," the report asserts.

The conclusion that the debt can be serviced hangs on a forecast current account surplus in hard currency of $3.5bn (£2.08bn) (against a deficit of that size in 1990) and a drawdown from Soviet reserves of $5bn (£2.9bn), which the IIF assumes will be achieved through gold sales.

It says new lending by foreign banks will continue at a very low level this year and banks will reduce short-term credits by more than $6bn (£3.5bn) following a fall last year of $10bn (£5.9bn). Total outflows to banks are expected to total $9.5bn (£5.65bn) this year against $13bn (£7.7bn) in 1990. Total debt outstanding to banks at the end of this year is forecast to fall to $16bn (£9.5bn) from $37.2bn (£22.1bn) at the end of 1989.

Arrears on trade credits to Soviet enterprises – estimated at about $5bn (£2.9bn) at the end of last year – are seen as likely to remain.

Assuming no big new loan disbursements are made by western governments, official medium and long-term credits could amount to $12bn (£7.1bn) this year.

This will mean the share of the debt held by bilateral government creditors will have risen by the end of this year to about 60 per cent, from 38 per cent at the end of last year and 23 per cent at the end of 1989.

SOVIET UNION CONVERTIBLE CURRENCY EXTERNAL DEBT ($bn)

	1989	1990e	1991f
Total external debt	54.0	60.0	56.3
Official bilateral creditors	12.3	26.1	*33.6
Commercial Banks	37.2	26.9	16.0
Other private creditors	4.6	7.0	6.6
Total debt service payments‡	9.3	10.8	11.4
(as a % of exports of goods and services)	(25.7)	(27.6)	(28.0)

e = estimate. f = forecast. *Excludes $8bn of claims by Germany originating from the former GDR. ‡Amortisation payments on medium- and long-term debt plus interest on total debt. *Source: The Institute of International Finance, Inc. Debt estimates based on information published by the IMF, BIS/OECD and the CIA*

East Europe cool on Soviet trade proposal

Judy Dempsey on efforts to stall a rapid decline in trade

A PROPOSAL by Professor Stanislav Shatalin, the radical Soviet economist, to establish a loose economic community which would embrace all the republics of the Soviet Union and the countries of eastern Europe, was yesterday greeted with caution by east European officials.

While all the countries of eastern Europe welcome a renewal of trade with the Soviet Union because many enterprises face bankruptcy as a result of breached Soviet contracts, these countries are reluctant to return to a system which is dominated by the Soviet Union.

Under the proposal, made public on Tuesday by Mr Ivan Silayev, the Russian prime minister who heads the new committee overseeing the Soviet economy, the former Comecon partners would be granted associated status to allow them to organise their trade with the Soviet republics, probably on a barter basis.

A Czechoslovak official said yesterday: "Under the former Comecon regime, we were forced to suppress our level of technological development so that it could match, or fit in with Soviet standards. If we join this new economic community, the danger is that our goods would remain uncompetitive with western markets. This is the problem we are facing with this kind of system."

Signs of a decline in trade in the region first occurred in 1989, precipitated by the change in Comecon pricing which pushed up the price of Soviet oil exports, and was later exacerbated by the overthrow of the communist system in eastern Europe.

By the end of 1990 Soviet exports to the region, of which more than half consist of energy and fuel products, fell 15 per cent in volume, while Soviet imports fell 10 per cent.

The rapid decline in trade accelerated earlier this year following the switch to the dollar clearing system between the Soviet Union and eastern Europe in January. This led to the virtual collapse of the Soviet market because Soviet enterprises did not have the hard currency to pay for imports.

The percentage of total trade between Poland and the USSR declined from 41 per cent in 1988 to 25 per cent by mid-1991, and in Hungary from 45 per cent to 31 per cent.

"This decline presents us with a serious political and social problem," a Polish official said. "Enterprises which once traded with the Soviet Union were faced with empty order books in January. Many are now at a standstill. Workers are out of a job. Other enterprises are trying to conclude barter deals with enterprises in the Soviet republics."

An official from Bulgaria, whose trade with the Soviet Union and eastern Europe accounts for 79 per cent of its total exports, echoed these views.

The shift in trading patterns is leading to a growing consensus in east Europe that it is necessary to restore trade relations with the Soviet Union. The question is how.

"Ideally, we want to be paid with dollars – or even payment in kind, such as oil," said a Czechoslovak official. However, the Soviet Union is reluctant to reduce Czechoslovakia's $4bn (£2.3bn) trade surplus through oil exports, partly because of its own energy needs, and partly because it requires hard currency for its oil exports.

To overcome what amounts to a problem of financing, the Czechoslovak official recalled a plan unveiled last year by Mr Jiri Dienstbier, his country's foreign minister.

"If the Soviet Union has no money to pay for our imports, and if we have no hard currency to modernise our infrastructure, then perhaps the west could issue targeted credits to Moscow so that it can buy our goods and we could use that payment to upgrade our industry," the official said.

NEWS IN BRIEF

Vorontsov calls for pollution clean-up

A SOVIET minister and leading anti-conservative politician has said his country needs a vast environmental clean-up after decades of insistence that pollution problems existed only in the west, Reuter reports from Geneva.

Mr Nikolai Vorontsov, the environment minister who opposed last month's hard-line coup, said some Rbs300bn (£100bn) – about 75 per cent of current annual government spending – was needed over the next 15 years.

The minister, in Geneva for a United Nations meeting on the environment, told a news conference that some 20 per cent of Soviet territory suffered from serious pollution.

Nato to plan for post-coup era

Nato yesterday said that the shattering events in the Soviet Union would have a big effect on the western alliance's policy, and that a new era of international relations had begun, Reuter reports from Brussels.

The North Atlantic Treaty Organisation had almost completed a political and military strategy review for the post-Cold War era when Soviet hardliners bungled a coup intended to oust President Mikhail Gorbachev last month.

EC sets up technical aid fund

The European Community Commission decided yesterday to set up a fund of Ecu10m (£6.98m) to finance technical aid programmes for the Soviet Union, AP reports from Brussels.

The money is the first released to that country under an EC plan, adopted last November, to provide $472m (£280.9m) in technical help for the Soviet Union this year.

The aid was temporarily suspended in January because of the crackdown on Baltic independence movements, and was later delayed by problems in coming to agreement on details of projects to be funded.

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Albanian old guard's grip weakens

Events in Moscow will bolster the democrats, writes **Kerin Hope**

FOR THE fledgling democratic movement in Albania – trying to uproot the legacy of 45 years of communism by shouldering responsibility for economic reform – the failed coup in the Soviet Union offers an unexpected political opportunity.

During two months spent co-operating with the ex-communist Albanian Party of Labour (APL) in a national unity government, the Democratic party, which holds most economic portfolios, has made little progress in easing the lot of the hard-pressed population.

It is clear that many of the old Stalinist taboos have been swept away: hundreds of second-hand vehicles, mostly imported from Yugoslavia, circulate among the bicycles in Tirana, the capital; churches and mosques are packed with worshippers; and school textbooks are being rewritten to expunge references to Enver Hoxha, the dictator who kept the country in poverty-stricken isolation for so long.

But the Democrats' popularity is being eroded by their failure to improve the food supply, halt a surge in unemployment – now exceeding 30 per cent – or prevent restive young Albanians, frustrated in their urge to emigrate, from turning to theft and violence.

Mr Fiqiri Xibre, leader of the independent miners' union whose strike in May brought down the communist government elected earlier this year, said: "We gave everyone a breathing space to start the reform process. But steam is building again because people are dissatisfied with the slow rate of change. Things must go faster."

However, with Soviet communism suddenly disgraced, the influence still wielded by President Ramiz Alia and other survivors of the Hoxha era – known as the "blokists" after the leafy block in the city centre where they lived in heavily guarded villas – will wither more quickly.

If they want to, the Democrats can take advantage of mounting popular pressure for a settling of accounts with the old guard.

The Finance Ministry has launched an investigation into the affairs of almost 30 families, including the Hoxhas and the Alias, accused of enriching themselves from state funds. There is already debate on whether President Alia's immunity from prosecution should be lifted.

Dr Sali Berisha, the cardiologist who heads the DP, says he wants to bring forward from next summer to November or December the date for elections. This was "because there are so many obstacles, so many conspiracies raised by people who don't want reforms".

Leading DP members are well aware that their inability to deliver an economic miracle over the summer has added to the taint of their willingness to join forces with the communists.

Still, when it comes to an election, voters have little choice but to support the DP, although Dr Berisha and Mr Gramoz Pashko, deputy prime minister and architect of economic reform, may lose personal support.

Much will depend on the result of Albania's appeals for food aid from western countries. Mr Pashko says \$300m (£178.5m) will be needed to get through the winter, following a collapse in agricultural output as peasants abandoned grain production in favour of cultivating private plots carved out of co-operative holdings.

Now, all co-operative land is to be officially privatised in an effort to ensure next year's cereal crop is planted on time.

According to Mr Pashko, industrial output fell 33 per cent in the first half of 1991, partly because of strikes but also because of a shortage of hard currency for purchasing raw materials. Exports have plunged 80 per cent.

Mr Pashko's plans for introducing a market economy, due to be launched next month, call for privatising 25,000 state enterprises and closing unproductive factories. Initial estimates suggest another 15 per cent of the country's workforce will be made redundant, although some social assistance is to be paid.

Privatisation is viewed with trepidation by workers who already spend almost their entire monthly salary on food. Annual inflation, once unknown, has outstripped 30 per cent. Yet enthusiasm for private enterprise is beginning to emerge, spurred by some energetic factory directors and the sons of former merchants already active in running private restaurants and repair shops who have formed a 300-strong association in Tirana.

THE European Bank for Reconstruction and Development (EBRD) said yesterday its board of directors had recommended that Albania's membership application be approved, AP-DJ reports from London.

Albania, which will hold a 1 per cent stake in the EBRD once its membership application is formally approved by the board of governors, will be the last east European country to become a shareholder in the London-based bank.

Like Soviet people in recent days, Albanians celebrated freedom earlier this year by overturning statues of dictator Enver Hoxha

Romania steps out on road to privatisation

By Nicholas Denton in Bucharest

ROMANIA is taking the first steps to privatise its dominant state sector, seeking to conquer its image as the most hesitant of east European countries about economic reform.

A list of 30 flagship state companies is being drawn up, Mr Theodor Stolojan, secretary of state at the National Agency for Privatisation (NAP), said yesterday.

Coopers & Lybrand, the international accountants, will advise on the first sale, that of Petrotel, one of Romania's three largest oil refiners.

The NAP has also finalised a scheme for the auction of assets hived off from state companies for which it expects government approval soon.

But Romania must convince western investors of its stability and openness.

"It's safe as much as Hungary and Poland are safe," said Mr Stolojan.

He nevertheless held open the possibility that, in response to the perception of risk, pricing would be flexible.

Further uncertainty arises from economic distortions and the poor standard of financial reporting which obscures companies' profitability. The NAP estimate that only one-fifth of Romanian companies are clearly profitable.

The current initiative is a trial run for Romania's main privatisation programme that was laid out in a law passed last month but which will take at least six months to flesh out. The legislation forms five private ownership funds controlling 30 per cent of state companies and a state ownership fund with the remaining 70 per cent.

Brussels seeks import concessions

THE European Commission will tomorrow ask EC governments to approve a radical improvement in market access for food, textile and coal imports from Poland, Hungary and Czechoslovakia, to remove the last obstacles to far-ranging association accords with these central European countries, write David Buchan and David Gardner in Brussels.

The proposals, decided by the EC executive yesterday, would be accompanied by an appeal to other western countries to make similar import concessions and to provide the Soviet Union with credit to renew its purchases of central European food.

In a concession that is sure to provoke the Community's vested farming interests, the Commission wants to increase preferential access for central European meat, fruit and vegetables. It is proposing a 60 per cent cut in the level of tariffs over three years on imports of these products.

The preferential treatment includes an increase in volume by 80 per cent over five years.

On textiles, Brussels proposes that curbs on the import of central European textiles be phased out within six years. This is likely to be opposed by Portugal and Spain.

Danes win praise for economy

THE Danish economy has made "impressive progress" over the past two years, achieving one of the lowest inflation rates among western countries and a current account surplus after 26 consecutive years of deficits, writes Robert Taylor in Stockholm.

This is the main conclusion of the Organisation for Economic Co-operation and Development's annual survey of Denmark, published yesterday.

In its positive report the OECD argues that Danish recovery looks set to continue as long as the government sticks to policies to reduce the country's high foreign debt and does not weaken its fiscal restraint.

The government is praised for its commitment to stable exchange rates, curbs on government spending and for dampening domestic demand. The survey says Denmark can expect to consolidate the gains of its economic stabilisation for the next two years, with low inflation and a continuing current account surplus.

The only gloomy note concerns unemployment, which is expected to average 9.8 per cent this year and 9.2 per cent in 1992.

Turkish and Greek premiers to meet

THE Turkish and Greek prime ministers are to meet in Paris to discuss a solution to the Cyprus question, Reuter reports from Ankara.

The meeting between Turkey's Prime Minister Mesut Yilmaz and Mr Constantine Mitsotakis, his Greek counterpart, will take place at a meeting of the European Democratic Union next week.

Mr Yilmaz suggested the meeting last month, telling Mr Mitsotakis that Ankara expected Athens' help in reaching a settlement acceptable to both the Turkish and Greek communities in divided Cyprus.

United Nations officials are holding talks with Turkish and Greek Cypriots in a bid for a *rapprochement* before Mr Javier Pérez de Cuéllar, the UN secretary-general, submits a report on the issue to the Security Council later this month.

Meanwhile Turkey is to press the European Community to release a \$700m aid package when foreign ministers from the two sides meet later this month.

The package – offering Turkey a customs union, increased scientific and technical co-operation, and the aid – has been blocked for more than a year by Greece.

INTERNATIONAL NEWS

Singapore PM puts reform plans on hold

By Kevin Brown in Singapore

SINGAPORE'S ruling People's Action Party (PAP) will continue to allow limited freedom of expression, but further liberalisation moves will be put on hold, Mr Goh Chok Tong, the prime minister, said yesterday.

In an interview, Mr Goh said he had reassessed his initially "despondent" view of the outcome of Saturday's general election, in which the PAP's share of the popular vote fell by 2.2 per cent to 61 per cent.

The two opposition parties, Mr Chiam See Tong's centrist Singapore Democratic Party and Mr J B Jayaretnam's centre-left Workers' Party, won four seats, compared with one at the last election in 1988.

Mr Goh said he had been disappointed by the initial results because they were interpreted as a rejection of the more liberal style he has cultivated since replacing the autocratic Mr Lee Kuan Yew as prime minister in November.

However, detailed analysis indicated that the opposition vote increased because the PAP failed to communicate with working-class Chinese voters in low-income constituencies.

"The group which we are not reaching wants firm government; all they are interested in is steady progress and prosperity. They do not care how we are running the place," he said.

Mr Goh said the lesson of the election was that he had paid too much attention to liberalising Singapore, while the party failed to notice it was losing support in its heartlands.

The government's response would be to press ahead with policies designed to provide more opportunities for lower income Singaporeans, including two S$5bn ($2.9bn) endowment funds to improve access to educational and medical services.

He also heralded a change in the PAP's traditional strategy of selecting its candidates from among the business and academic élite, acknowledging that many of the candidates were too remote from the voters.

"We need to get government people who can go into the coffee shops and mount a whispering campaign against the opposition," he said. The PAP suffered seriously in the election from the opposition's ability to use word-of-mouth campaigns to counter the favourable government propaganda in most of the press.

Mr Goh said there would be no return to the autocratic approach of Mr Lee, indicating that the relative freedom of newspaper letters columns, publishing and private radio would continue.

However, the government would keep "a watch" on the scale of dissent, noting that Singapore "is still an Asian society, and Singaporeans do not like to see their leaders caricatured, especially if it is malicious".

Further liberalisation would have to take place at the slower pace acceptable to the PAP's core voters, rather than at the pace favoured by the English-speaking intellectual élite, he said.

Mr Goh said the election had exposed his liberal approach to pressure from the conservative wing of the PAP, led by Brigadier General Lee Hsien Loong, Mr Lee's son.

However, he said his position was safe until the results of by-elections to be held in 12 to 18 months time. Mr Goh said he expected close results in the by-elections, which he promised would provide an opportunity for Mr Jayaretnam to stand following the expiry of a five-year ban from parliament.

The prime minister said he accepted that the "ground rules" for Singapore politics had changed as a result of the election, and repeated his election night undertaking to work with the opposition in parliament. He said no action would be taken against opposition politicians who are accused of stimulating ethnic tensions between Singapore's Chinese majority and the Malay and Indian minorities.

However, the Internal Security Act, which permits detention without trial on the recommendation of a minister and a tribunal, will remain on the statute books.

UK premier John Major looks up from a doorway during his visit to the Great Wall of China yesterday. Major in China, Page 14

Indian companies may take stakes in state-owned banks

By Alexander Nicholl and David Housego in Bombay

INDIAN PUBLIC sector companies may be invited to take stakes in nationalised banks as part of a much-needed recapitalisation programme, Mr S. Venkitaramanan, governor of the Reserve Bank of India, said yesterday.

Reforms of the financial sector are being worked out by a high-level committee under the plans of the government of Mr P V Narasimha Rao, the prime minister, to liberalise the economy. The World Bank is discussing a loan of up to $500m specifically to back reform of banks and other financial institutions.

Though privatisation of banks is expected to be part of its longer-term plans, the government is currently ruling it out, and it would in any case be difficult given the banks' financial state. An improvement of their balance sheets and infusions of new capital are seen as essential.

"We need a substantial injection of capital," the central bank chief said in an interview with the Financial Times. Mr Venkitaramanan said a number of potential means of boosting banks' capital were being considered. These included contributions of funds from the government, from state-run mutual funds, and employees. He has, however, suggested to the committee determining the reforms that "successful public sector undertakings can hold capital in these companies because you cannot ignore the fact that they are some of the largest users of banking services in the country... this is genuine capital enhancement."

Mr Venkitaramanan had in mind the close links between banks and industry in Japan. A foreign banker in Bombay yesterday welcomed this type of approach: "If they can pull some of these things off, that is just what the banking sector needs."

The central bank head particularly drew attention to the methods used by France to improve the capital structure of state-owned banks, which he described as "very ingenious financial engineering".

Bank profitability is limited by requirements to place 63 per cent of deposits with the central bank under statutory liquidity and cash reserve ratios – to help fund the government's deficit – as well as by bad loans and government-directed lending at below-market interest rates.

Mr Venkitaramanan said the Indian authorities agreed that "banks' profitability will depend on whether we can allow them more free play with their money and less pre-emption for government requirements." But reductions in the statutory liquidity ratios could not be considered until the fiscal deficit began to fall. It is targeted at 6.5 per cent of GDP in the financial year ending next March compared with 9 per cent last year.

The central bank would look more favourably at foreign banks' desires to expand their branch networks.

The central bank head warned, however, that they would have to look outside the metropolitan areas. "At the moment, they are mostly in the coastal areas, they are looking at the cream of Indian business. They have not really penetrated into the harder areas of India.

Moi's critics call rally for democracy

LEADING dissidents defied Kenya's one-party government yesterday by announcing plans for a rally to discuss "the restoration of democracy", Reuter reports from Nairobi.

The group said the public rally would be held on October 5. A similar rally call in July 1990 sparked riots in which at least 20 people were killed.

President Daniel arap Moi followed up with a crackdown on government critics, but his actions have failed to halt debate on the country's political future.

Mr Moi, in power since 1978, says a multi-party system would ignite tribal conflicts.

The same dissident group launched the six-member Forum for the Restoration of Democracy (Ford) last month. It includes a former vice-president, Mr Jaramogi Oginga Odinga, and an ex-member of parliament, Mr Martin Shikuku.

Mr Moi has condemned Ford as an illegal and subversive organisation with obsolete aims. Last week, he ordered police to arrest anyone supporting illegal organisations or holding illegal meetings.

China to release businessman after Major raises case

By Angus Foster in Hong Kong

CHINA is expected to release a Hong Kong businessman jailed for five years in March for allegedly trying to help Chinese dissidents escape the country. Mr Luo Hai Sing is likely to be freed this week after the British prime minister, Mr John Major, raised the case with Li Peng, his Chinese counterpart.

Mr Luo's conviction was widely seen as a politically-inspired warning to Hong Kong people not to get involved in China's internal affairs.

Mr Luo and two other Hong Kong men were jailed for their part in the failed escape of Chen Ziming and Wang Juntao, who China accused of being "black hand" leaders of the 1989 pro-democracy movement in Tiananmen Square. Chen and Wang were subsequently arrested and are now on hunger strike in Beijing, where they are serving long jail sentences.

Mr Luo admitted he had carried messages between Hong Kong and China but always denied his charge of "counter-revolutionary concealment". Family members argued that the charge was unfair since Mr Luo had never met Chen or Wang so could not have concealed them.

Mr Luo, 42, owned a trading company and frequently travelled to China. His wife has denied he was involved in the democracy movement.

The convictions were also seen as an attempt to hit back at the Hong Kong Alliance for the support of the Patriotic Democratic Movement in China. The movement helped a number of prominent dissidents escape China through Hong Kong, by a route known as the "underground railway", after the Tiananmen Square killings. The movement has been outlawed and its members branded "subversive".

Mr John Kamm, a US businessman in Hong Kong who has been working to free Mr Luo, said Mr Major's intervention speeded up the release. "There is no question the Major visit played an important role," he said.

Mr Major, speaking on his arrival in Hong Kong, said he would not discuss the case until Mr Luo was free.

The decision to release Mr Luo was warmly welcomed in Hong Kong as evidence China is taking steps to improve its relationship with the colony. Relations started to improve earlier this year when Hong Kong people donated generously to help victims of floods.

Kuwait and US to sign defence pact

By Mark Nicholson and George Graham

KUWAIT's cabinet yesterday agreed a 10-year defence pact with Washington allowing the US to store weapons and conduct exercises in the emirate.

The agreement will not lead to the establishment of a US permanent base in the emirate, nor the stationing of US troops in Kuwait.

Sheikh Ali al-Salem al-Sabah, Kuwait's defence minister, is expected to visit Washington soon to sign the agreement.

Kuwait is seeking similar defence pacts with Britain and France, but British officials yesterday said only that Kuwait's defence needs were "under discussion".

The deal will help clarify the confusion surrounding Kuwait's security arrangements since the failure of its Arab allies, the five fellow Gulf Co-operation Council countries (Saudi Arabia, United Arab Emirates, Oman, Qatar and Bahrain), Egypt and Syria, to agree to base a joint force in the emirate.

Kuwait's desire to strike a unilateral deal with the US appears to signal the breakdown of efforts to forge a united approach to Gulf security among the GCC countries, despite repeated attempts to find common ground.

Fears of the Iraqi threat, heightened by last week's incursion onto Bubiyan Island by up to 90 Iraqis, have spurred a flurry of speculative statements from Kuwaiti politicians and media ranging from calls for permanent US and British bases in the emirate to claims, denied in Washington, that the US had agreed to build a forward base.

The US and Britain have repeatedly ruled out stationing ground forces in the region.

Seoul targets oil to curb deficit

By John Ridding in Seoul

SOUTH KOREA is to cut imports of crude oil and cool the country's construction boom in an attempt to curb the rapid expansion in the country's trade deficit.

In a meeting of economic ministers, called yesterday to discuss the rising deficit, and presided over by Mr Choi Gak Kyu, the minister for economic planning, it was also decided to reduce access to foreign loans for the import of capital goods and machinery.

South Korea's trade deficit totalled $8.78bn on a customs cleared basis in the first eight months of this year. This compares with a deficit of $4.8bn last year and a surplus of $8.88bn in 1988.

"It is the speed of deterioration which is of greatest concern," said one senior economics official. "We have seen a swing in the trade balance equivalent to almost 10 per cent of Gross National Product since 1988."

Government officials argue that one of the principal factors in the widening deficit this year had been the sharp increase in imports of crude oil. In the first seven months of the year, oil imports amounted $4.49bn, an increase of almost 40 per cent over the comparable period last year.

The government did not specify how much it would reduce imports of crude oil during the rest of the year. But it said that it would run down government stocks of 40m barrels to meet private sector demand.

At the same time, the government said that it would reduce the number of new houses to be built this year in an attempt to cool the overheated construction sector and limit imports of construction equipment.

The target for new houses has been cut from 700,000 to 650,000, with further reductions next year.

Economists expressed scepticism about the impact the measures would have. "I don't think this is going to cause any substantial improvement," said one member of the Korea Development Institute, a government-backed think tank.

But he forecast that the trade deficit would soon start to narrow as the growth rate of imports – which grew by 24 per cent to $54.1bn in the first eight months – was beginning to slow.

Israel discards the budget cuts

By Hugh Carnegy in Jerusalem

THE Israeli government yesterday set a budget deficit for 1992 significantly above the level recommended by the Finance Ministry and central bank, largely by accepting defence establishment objections to a reduction in military spending.

The debate was of more than usual significance as the government's handling of the economy is under sharp scrutiny by the US. Washington wants less state intervention and strong fiscal discipline if it is to agree to Israel's request for US government guarantees to back borrowing worth $10bn (£5.9bn) which it needs to fund a wave of Soviet Jewish immigration.

A 17-hour cabinet debate ended early yesterday with a decision to alter substantially the draft budget presented by Mr Yitzhak Moda'i, the finance minister. Instead of a Shk1bn (£256m) cut in defence, which Mr Moda'i argued was needed to cover immigration expenditure, ministers decided to up defence spending by at least Shk100m to over Shk15bn out of total spending of Shk79.1bn.

The budget deficit was inflated to the equivalent of 6.2 per cent of gross domestic product, compared with 5.5 per cent contained in Mr Moda'i's draft. Although less than the expected outturn this year of 6.7 per cent, it is above the levels both the Treasury and the Bank of Israel have said are acceptable if inflation is to be controlled and sufficient growth generated to absorb the flow of Soviet immigrants.

The projected deficit would have been even higher if ministers had not decided to lower the estimate of immigrants expected to arrive in 1992 to 200,000 from 250,000 by Mr Moda'i, knocking Shk430m off planned spending.

In the end, Mr Moda'i voted for the revised budget, which has to be passed by parliament later in the year. He said it was bearable. As part of the compromise, he won ministerial commitment to introduce legislation enforcing the elimination of the deficit by 1995.

Mr Jacob Frenkel, governor of the Bank of Israel, has argued repeatedly since taking office last month that this is vital if Israel is to succeed in winning the external funds needed for immigrant absorption – including the loans it wants the US to guarantee.

UK team to fight oil fires

By Mark Nicholson

A BRITISH consortium has won a contract worth up to $100m to fight up to 80 oil well fires in Kuwait's two main northern oilfields.

A team from the Kuwait British Group, which was formed jointly by AMEC, Taylor Woodrow and Wimpey specifically to address the Kuwait oil fires, flew to Kuwait last night to begin work on the Sabriyah and Bahra oil fields.

Neal Adams Firefighters, a US blowout team, will provide wellhead firefighters as part of a total of 800 men expected to work on the project – one of the biggest single firefighting contracts awarded.

The contract calls for the consortium to extinguish all fires, control oil flows, replace the damaged wellheads and return the wells to previous production levels.

The British team will become the 13th employed by the Kuwaitis to bring its oil fires under control.

AMERICAN NEWS

Bush prepares to cover his domestic flank

By Lionel Barber in Washington

THERE is a tale, no doubt apocryphal, about a young man who turned up at President George Bush's summer home at Kennebunkport, Maine, holding a large placard: "Unemployed – but very willing to caddy."

Mr Bush's penchant for golf has long been the butt of jokes, but Democratic party strategists these days like to argue that the story pinpoints a presidential Achilles heel: domestic issues.

For all his popularity and his confident handling of the Soviet crisis, the pictures which appear with ever greater frequency on US television tell a different story. Crumbling sewers and roads, rising teenage pregnancies, high school drop-out rates of 60 per cent in some cities, workers marching in favour of medical insurance – all speak of a grimmer side of America.

Official reports suggest that many middle-class Americans are struggling to maintain their standard of living. A Labour Department survey this week reported that the median income of US households has barely increased over the past two decades, mainly because of the slowdown in productivity. Many US families were only able to stay ahead by relying on two incomes.

Over the next months, Democratic presidential candidates and congressional leaders will seek to combine these themes in one stinging attack: that Mr Bush's domestic "agenda" amounts to all talk, little action, and no money.

The Democrats aim to make a virtue out of their party's weaknesses on foreign policy. Its indecision on whether the US should go to war against Iraq still hurts – and will do so in the 1992 elections. Also, its clamour ignores the constraints that Mr Bush faces as president when dealing with Democratic majorities in the House and the Senate.

For all that, he does look vulnerable.

Recognising the potential threat, the White House has organised trips to 10 states this month so that Mr Bush can counter-attack. His strategy is likely to fall to into two parts.

First, the president will urge voters to look at the record of his three years in office. Some legislation – the rescue of the savings and loan industry, and parts of the banking reform bill – stemmed from pressing crises. However, other initiatives, such as the immigration bill and the landmark clean air act, were far bolder.

Looking ahead to next year, Mr Bush will focus on his proposals for crime (tough penalties on drug-related offences), transport (mainly increased highway funds) and education. Echoing President Truman's attacks on the "Do Nothing Congress", in the 1948 presidential election, Mr Bush will try to blame the Democrats for stalling "sound" Republican plans.

Mr Bush has a personal interest in education, working with state governors on an ambitious programme to raise standards in schools by 2000. However, this is all to be achieved through exhortation rather than money.

Bolder initiatives, such as home ownership for the poor and preventive health care, are likely to be repackaged; but the thrust of Mr Bush's approach remains as close as ever to President Reagan's. The aim is to continue to trim the scope of the federal government and to devolve more responsibility to the states.

In short, the president intends to play safe. He has 21 successful vetoes of bills since he took office, so it is easy to see why he is tempted to continue on this tack – even if the nation's problems continue to proliferate.

Argentina spending more than its revenue

By John Barham in Buenos Aires

THE Argentine government once again is spending more than it is raising in taxes. This is causing concern that markets may begin to lose confidence in economic policy.

In a detailed analysis of government finances, Mr Miguel Angel Broda, a respected independent economist, said yesterday that consolidated public spending in the third quarter should rise by the equivalent of $7.26bn. That would be 19.8 per cent more than in the previous quarter.

Tax revenues, however, are forecast to increase by only 15.2 per cent, to $7.23bn.

The widening deficit is due to growing losses at state-owned enterprises and increasing expenditure by the administration of President Carlos Menem as the government gears up for congressional mid-term and gubernatorial elections on Sunday.

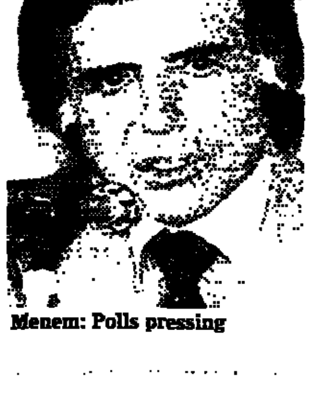
Mr Domingo Cavallo, economy minister, has said repeatedly that the government must run an operating budget surplus large enough to service its foreign and domestic debts.

Rather than cut spending, he is now financing overspending with larger than expected receipts from privatisations and placing paper on the international bond market.

Mr Juan Llach, an adviser to Mr Cavallo, recognised the problem, but said, "we are very clear about the need to reach an operating surplus of about $300m a month and we will do all that is necessary to achieve this objective."

Mr Cavallo has promised the International Monetary Fund an average operating surplus of $207m a month, supplemented by monthly privatisation receipts of $175m.

Yet Mr Broda's monthly projections for the second half estimate an operating surplus of only $31m, privatisation receipts of $237m, and $67m from bond placements.



Menem: Polls pressing

Direct investment lifts financial inflows for Latin America

By Stephen Fidler, Latin America Editor

LATIN America and Asia enjoyed a strong increase in private sector financial inflows last year, partly because of a "massive upturn" in foreign direct investment, the Organisation for Economic Co-operation and Development says in a report, published today.

This contributed to a 16 per cent increase in net financial flows to all developing countries, according to preliminary figures in the OECD's annual survey on the financing and external debt of developing countries.

This increase in financial flows, although selective, provides for one of the more optimistic assessments of the external financial position of developing countries since the onset of the third world debt crisis in 1982.

Total private financial flows to the developing world amounted to $61bn last year – a sharp rise on $48bn in 1989 and $27bn in 1986.

This was partly because foreign direct investment (FDI) was running at historical high levels, of $30bn to $35bn a year.

The increase in FDI, and an increased tendency for rich countries to provide aid in the form of grants, has meant that the share of loan finance in total resource flows has declined markedly. Finance which does not create debt accounted for 60 per cent of total flows in 1990, compared with 44 per cent in 1985 and 31 per cent in the early 1980s.

The survey attributes to overall sustained upturn in FDI to several factors, including:

- The high growth record of some countries, particularly in Asia, and renewed growth in others, for example Chile and Mexico.
- Increased mobility of capital and changing strategies of multinational companies with respect to regional trade and relocation of production to countries with effective private sectors.
- Economic reform programmes in many countries providing new commercial opportunities, for example, from new trade policies and privatisations.

Total financial flows to Latin America and the Caribbean recovered in 1989-90. For the first time since 1983, the region attracted a positive net financial transfer (of $10bn) in 1990.

(Financial transfers equal net financial flows – that is, new loans and investments less repayments – minus interest and dividend payments.)

This was in part due to an $8bn build-up in 1990 of interest arrears to banks and other creditors, bringing Latin America's total arrears to creditors to $25bn.

But the position was also helped by the continuing high level of aid to Central America (about $3.5bn in 1990) and large inflows of private finance to Mexico from international financial markets, totalling $4bn last year.

Overall private financial flows to Latin America jumped to $24bn in 1990, from $11bn in 1988. But the increases benefited only a minority of countries – Chile, Mexico, Colombia and Venezuela. However, the OECD added, the most recent trends "suggest that an increasing number of countries in the region are beginning to attract bank lending and FDI."

Total flows to developing countries increased by 16 per cent last year, to $142bn. However, adjusted for price and exchange rates changes, total flows increased by 4 per cent.

The survey shows the external debt of developing countries rising last year by $63bn, or 4.5 per cent, to $1,450bn but exchange rate effects accounted for $53bn of the increase.

Net new loans to developing countries were largely offset by operations which reduced the debt of debtor countries – for example, under the debt initiative by Mr Nicholas Brady, US Treasury Secretary.

WORLD TRADE NEWS

Asean discusses plan for regional free trade zone

By Kevin Brown in Singapore

THE six member countries of the Association of South East Asian Nations (Asean) are considering detailed proposals drawn up by Thailand for a regional free trade zone.

Thailand delivered a draft concept paper to the other five Asean governments this week, according to officials attending a symposium in Singapore.

The paper says a free trade zone would make the region more attractive to foreign investors, as well as increasing trade between the member states. It also sets out the technical and regulatory changes required in areas such as public sector tendering, local content requirements and tariff reductions.

The Thai initiative was prompted by concern that Asean countries could be disadvantaged by moves towards a North American free trade zone, and the scheduled completion next year of the European Community's single market.

The draft paper will be discussed by Asean economic ministers in Kuala Lumpur next month, and by the six heads of government in Singapore in January.

Officials said interest in the free trade zone proposals had been increased by the success of limited economic deregulation in Thailand, Indonesia and Malaysia, the three largest regional economies.

"The bigger economies are more confident of their ability to compete than they used to be, and that has led to a positive mood for greater openness," said an Asean official.

However, the draft paper acknowledges differences of approach between member countries.

Thailand favours zero tariffs within 10 years, while Indonesia is seeking common external tariffs achieved on a sector-by-sector basis over a longer period.

The paper says the proposed free trade zone would not be incompatible with other Asia/Pacific economic groupings, including the Asia Pacific Economic Co-operation (Apec) process initiated by Australia, and Malaysia's proposals for an East Asia Economic Grouping.

Japan plans Y12bn satellite research facility next year

By Steven Butler in Tokyo

JAPAN's Ministry of Posts and Telecommunications said yesterday it was planning to establish a joint public-private company next year to build a satellite research facility, which would include a space simulation chamber.

The aim is to help Japanese companies develop testing facilities following the opening of the Japanese market to foreign competition last year under US pressure.

Foreign companies are widely seen as having a technological lead and are expected to be well placed to win the next round of bidding for broadcast satellites, to be launched in 1996.

Preliminary estimates for the cost of the facility are Y12bn ($88m).

The ministry is planning to apply for funds from the government's special account for industrial investment.

It intends to invite NEC, Toshiba, Hitachi, Mitsubishi Electric and other Japanese companies to join the project, although some of the companies said yesterday they had not been approached.

Consideration is also being given to whether foreign companies would be invited to participate.

Toshiba and Hitachi said that the development of satellites in Japan was currently inhibited by lack of appropriate testing facilities and that they would welcome such a project in principle.

NEC said it would look favourably on any request to join. The project depended, however, on whether the ministry was successful in its application to the Ministry of Finance for funding.

● A North Korean group will launch a joint venture in Tokyo later this month, the first time a North Korean company has done business directly in Japan, Reuter reports from Tokyo.

The venture, capitalised at Y10m ($73,600), is jointly owned by unidentified Japanese investors and Kumgangsan International, a North Korean company.

International groups win Turkish fibre optic contract

By Haig Simonian in Milan

A CONSORTIUM including Pirelli, Italian tyres and cables group, Alcatel/Submarcom of France and AT&T of the US has won an order worth at least L100bn ($77.8m) for an underwater fibre optic telecommunications network from the Turkish government.

The deal involves two fibre optic links, the longest of which, called TURMEOS-1, will cover 1,040 km from Istanbul to Marmaris in the south via Izmir. The network will link at Marmaris with the Eastern Mediterranean Optical System (EMOS-1) and the future South East Asia, Middle East, Western Europe-2 optical fibre link, planned to stretch from Marseilles to Singapore.

Pirelli will install optic fibre on the 630km Istanbul-Izmir leg, while Alcatel/Submarcom will undertake the same function on the remainder. The nine repeater stations will be made by AT&T. The second part of the deal, produced exclusively by Pirelli, is for 110km of cable linking Turkey with northern Cyprus.

Greens and free traders head for clash

John Hunt on how tougher environmental rules are running into trouble with Gatt

THE danger that tougher regulations to protect the environment may be used as artificial barriers to international trade is under increasing attention in the run-up to the UN Conference on Environment and Development – the Earth Summit – next June.

There is concern too that the General Agreement on Tariffs and Trade (Gatt) could hamper the growth of international agreements to curb industrial pollution and counter global warming.

In recent weeks, these problems have come to the fore in discussions by officials from 150 countries in Geneva preparing for the summit in Rio de Janeiro. These talks ended yesterday with further discussions due in New York in March.

"The possibility of using environmental measures as a unilateral restraint on world trade is in my view a very dangerous and negative tendency," says Mr Maurice Strong, the Canadian former businessman who is secretary-general of the conference.

There is concern that industrialised countries could use strict "green" regulations as a pretext for banning imports from less-developed countries which cannot afford high standards of environmental protection.

Third World countries are calling for more aid from the developed countries to improve

Strong: environmental issues should not be used for restricting trade

their pollution control standards.

The UN Conference on Trade and Development (Unctad) told the Geneva meeting that exports from developing countries could be hit by environmental barriers. It called for a big increase in aid to these countries, including access to technology and support for benign environmental practices.

"Without appropriate incentives to enhance the efficiency of resource use there is scant hope of achieving sustainable environmental conditions," it warns.

Unctad says exports of food from developing countries are likely to be affected by tighter rules on pesticide residues and the use of chemical additives in food processing in the developed world.

An important segment of developing countries' export markets consists of textiles, leather, metal and wood products produced by traditional methods which cause pollution.

"The export of such manufactures may be affected because of further restrictions in the chemical compounds and heavy metals contained in them," it states.

The dispute between the US and Mexico over the catching of tuna fish shows how the environmental concerns of a wealthy country can interfere with the economy of a poorer one.

The US has banned imports of tuna from Mexico on the grounds that the fishing nets employed also kill large numbers of dolphins. Mexico complained to Gatt that this was an unfair restraint on trade.

The Gatt panel which examined the case upheld Mexico's complaint and declared the ban illegal because the US was using domestic measures to protect dolphins outside its territorial jurisdiction.

Environmentalists see this as a dangerous precedent which could prevent countries taking action to protect the global environment.

The World Wide Fund for Nature (WWF) is urging the council of Gatt to overturn "the narrow interpretation" of the panel. One WWF policy analyst says the ruling could mean that national bans on imports of tropical timber – intended to protect the rainforests – could be deemed to violate Gatt rules.

It is hoped that the Earth Summit will agree an international convention to combat global warming. Under the convention some countries may take strong measures to reduce carbon dioxide – the main greenhouse gas – thus adding to their industrial costs. Those who do not follow suit would be at a competitive advantage. Gatt rules prohibit countries discriminating between "like products on the basis of their method of production."

WWF proposes that the Gatt should be amended to prevent "ecological dumping." Where an industry has failed to pay the full costs of dealing with its own pollution and emissions to the atmosphere – "externalised" the environmental costs in the current jargon – it would be regarded as an inadmissible subsidy.

A country whose industry has met these costs – "internalised" them – would be entitled to impose a tariff against the product of the offending country or provide a countervailing subsidy to its own industry.

The Canadian Environmental Law Association, says the terms of Gatt may accelerate environmental degradation and undermine national and international efforts to address ecological problems.

"The situation has grown worse in the past decade," it states. "Trade agreements must incorporate environmentally sustainable economic development as a fundamental goal. They also must explicitly recognise the legitimacy of environmental protection measures taken by nations."

Gatt has no specific mechanism or programme for dealing with trade and environment. It has only a limited exemption permitting a ban on imports where it is necessary "to protect human, animal and plant life and health."

But things are beginning to move, if only slowly. The Gatt Council, the organisation's ruling body, has been holding informal and comprehensive discussions on these problems since the beginning of the year but no consensus has been reached.

It has a working group on trade and environment set up in 1971 in response to a UN conference in Stockholm on the environment but it has never been convened. The countries of the European Free Trade Association (Efta) countries have been pressing for this group to meet and this is now likely.

Meanwhile Gatt is expected to deliver a report to its Council meeting next month concentrating on trade and the environment.

South Africa plans to export cars to Taiwan

THE South African Department of Trade and Industry said 2,000 locally-made cars would be exported to Taiwan in exchange for Taiwanese-made auto-related components and parts, AP-DJ reports from Johannesburg.

It said a trade agreement with Taiwan was recently reached after the government was approached by local motor vehicle manufacturers. A spokesman said the cars were unlikely to be exported before mid-1992 because South African manufacturers were not geared up to produce cars with left-hand-side driver's seats.

Only Nissan Motor and the former Ford subsidiary, the South African Motor Corp. (Samcor) are interested in exporting cars to Taiwan, according to the department.

However, local motor vehicle manufacturers say they have no knowledge of a finalised deal. "We've been talking to them for over a year and there is absolutely no confirmed deal," Mr John Newbury, Nissan's chief executive, said.

Samcor's spokesman, Mr Dirk Devos, said he was "aware of an arrangement but no physical amount has been set up".

Trinidad to host new $200m methanol plant

By Canute James in Kingston

GERMAN and Trinidadian companies are investing $200m in a methanol plant to be located on the Caribbean island.

Ferrostaal of Trinidad will own 25.1 per cent of the Caribbean Methanol Company, which will operate the plant, with Metallgesellschaft holding 10 per cent and Caribbean Life Insurance Company, one of the English-speaking Caribbean's larger conglomerates, having 64.9 per cent.

Financing of $133m is being provided by Kreditanstalt für Weideraufbau of Germany, and will be backed by Hermes, the German export credit guarantee organisation.

The plant will produce 500,000 tonnes of methanol a year to be marketed by Metallgesellschaft on a volume take-or-pay basis – under which purchasers are contractually bound to market the quantity bought.

The plant, which is to be designed by Davy McKee of the UK, is scheduled to begin production in mid-1993.

The facility will be Trinidad and Tobago's second methanol plant.

UK group wins NZ sewage deal

By Chris Tighe

MASS Transfer International, a small privately-owned UK company, has won a £1m ($1.69m) contract against international competition for the process design of a new sewage treatment plant serving the city of Wellington, New Zealand.

The planned £40m plant is due to start operating in 1995.

It will end 100 years of raw sewage discharge into the Cook Strait. Mass Transfer's trickling filter/solids contact process was a key feature of the successful consortium bid headed by Auckland-based PWT New Zealand Ltd., a subsidiary of Thames Water.

BNFL, Nuclear Electric in £13bn reprocessing deal

By Juliet Sychrava

NUCLEAR Electric, the state-owned nuclear company, yesterday signed a £13bn contract with British Nuclear Fuels (BNFL) to buy and reprocess nuclear fuel.

The contract, described yesterday as one of the largest ever signed, was hammered out over more than a year of negotiations. It replaces existing contracts between BNFL, Nuclear Electric, and agreements dating from the days of the Central Electricity Generating Board.

The contract commits Nuclear Electric to reprocessing all the spent fuel from its older Magnox reactors, believed to be around 12,000 tonnes.

Nuclear Electric has also agreed to reprocess about two thirds of the lifetime fuel from its advanced gas cooled reactors (AGRs) - about 3,000 tonnes, or fifteen years' worth of fuel. After that, Nuclear Electric can opt to store rather than reprocess its AGR fuel, as its sister company Scottish Nuclear hopes to do.

Mr John Collier, chairman of Nuclear Electric, yesterday vigorously defended his decision to opt for reprocessing AGR fuel.

"I am no supporter of reprocessing per se except in as far as it provides (the) lowest cost option," he said.

Nuclear Electric did not argue with Scottish Nuclear studies that show storage of nuclear fuel on site to be substantially cheaper than reprocessing. But, the company said, the total package offered by BNFL was still cheaper.

One reason may be that unlike Scottish Nuclear, Nuclear Electric has Magnox fuel which can only be reprocessed, not stored. This makes it easier for BNFL to negotiate a total package for Magnox and AGR fuel.

Nuclear Electric's commitment to reprocessing AGR fuel runs to about the time when the Magnox reactors are due to be retired.

Sir Christopher Harding, chairman of BNFL, said the contract was "immensely important," and constituted a commitment to reprocessing by Nuclear Electric which would help BNFL win more contracts abroad, notably in Japan.

Renewal of interest in energy

Juliet Sychrava describes how the UK government is coming under pressure from environmental groups and industry to extend funding for alternative and renewable energy

HUNDREDS of wind farms, sewage farms and rubbish dumps could soon get government backing to generate electricity, if the government bows to increasing pressure from the environmental lobby, the public, and industry.

Friday was the deadline for these and other renewable energy projects to apply for government support, under the Non Fossil Fuel Obligation (NFFO), which subsidises nuclear and renewable energy by a levy on the electricity price.

Last year, only 75 projects totalling 102MW – equivalent to about a third of the output of a small coal-fired power station, were accepted for NFFO support, out of a much larger number that applied.

Because only around 2 per cent of the annual NFFO levy pays for renewables, and the rest for nuclear, the total support for renewables last year was around £2m, about 40p per household per year, compared with £17 per household per year for nuclear, the environmental group Greenpeace calculates.

But the government is under increasing pressure to boost its support for renewable energy.

Yesterday, Greenpeace launched a campaign calling for the government to aim for 10 per cent of electricity consumption – around 6000MW – to be generated from renewables by the year 2000.

This compares with the government's target of 2 per cent or 1000MW by 2000, and comes soon after a Friends of the Earth survey which called for 3500MW by 2000. In July, the Bow Group, a Conservative pressure group, proposed a target of 2000MW.

The Association of Independent Electricity Producers (AIEP) is soon to produce a critique of the NFFO, which will ask for higher targets for renewables.

A report due shortly from the House of Commons energy select committee is also expected to call for more support for renewables.

When Mr Colin Moynihan, the energy minister responsible for renewables, begins next week to hear evidence for a strategy review into renewables opened in August his first witnesses, Friends of the Earth, will be pressing their point.

"There is pressure from the public, the industry, from the electricity generators, from the Bow Group," said Mr Stewart Boyle, energy policy director of Greenpeace yesterday. "It is only the government that is holding back."

Around 250MW of wind power projects alone are understood to have applied for this year's scheme. National Power and PowerGen, the electricity generators, the Wind Energy Group, owned by Taylor Woodrow and British Aerospace, and Ecogen, the renewable energy consultancy and developers, are among the main applicants.

Landfill schemes, which convert methane from waste to energy have also been among the larger projects.

THE lobbyists' main criticism of the NFFO, apart from the government's failure to set challenging targets for renewable energy, is that it expires in 1998, so this year's renewable projects, which are often very capital intensive, must be financed over seven years, rather than the 15 typical for a conventional power station.

Renewable energy producers must charge more per unit of renewable energy to recover their costs during that period. Most wind power schemes applying to the NFFO will rely on being subsidised enough to charge 8-10p per unit for their electricity, compared with the 2-3p pool or spot market price, because wind power is capital intensive.

If they could finance their projects over 15 years, the price could fall to 3.5p per unit.

Another problem with the 1998 deadline is that projects delayed by a hitch in obtaining planning permission can quickly become uncommercial, despite their long-term potential.

The 1998 deadline was set by Brussels, but the EC has made it clear it would be receptive to an appeal for an extension.

Mr Boyle said yesterday he believed the government had accepted the need for change. "They know the NFFO is not going well, and with an election coming up they know that a lot of the applicants wanting to start schemes are their natural supporters, small businessmen."

It is not yet clear how many schemes the government will support.

Projects bid in tranches, according to whether they are wind, hydro, landfill gas, or other schemes, and are expected to be accepted from the cheapest upwards within each band, until the desired megawattage is achieved.

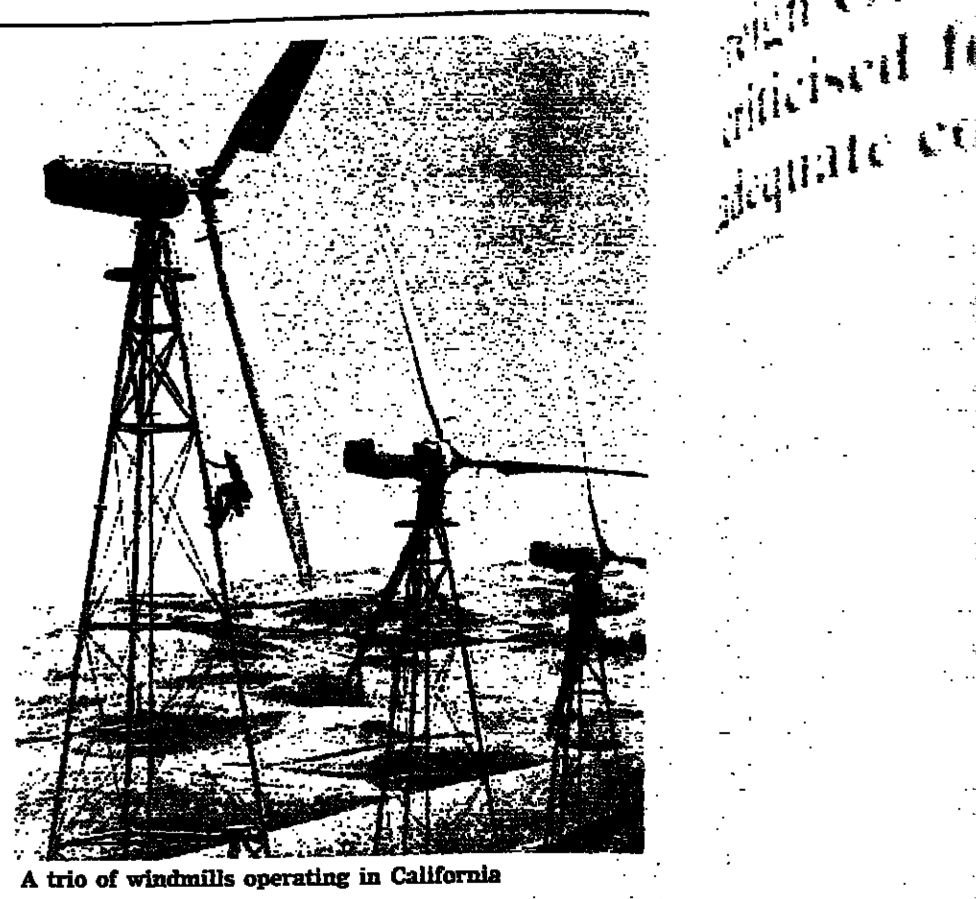
A "strike price" would then be set for each tranche, and would be paid to all projects in the tranche.

But the government could still bow to pressure and accept all the projects, which are expected to bid within a very close range.

"We think there's a high possibility they'll accept the majority of the proposals," said Mr Michael Harper, energy campaigner at Friends of the Earth yesterday.

"It will be very hard for them to resist."

Because renewables represent only 2 per cent of the total non fossil fuel levy (the rest is nuclear) accepting all the schemes would not be a financial burden, Mr Harper said.



A trio of windmills operating in California

Tax cuts to encourage diesel fuel are urged

By John Hunt, Environment Correspondent

THERE SHOULD be tax cuts to encourage cleaner diesel fuel and engines use by heavy goods vehicles, buses and coaches the Royal Commission on Environmental Pollution urged in a report published yesterday.

The commission says European Community guide values for air quality are being exceeded regularly in London and other British cities as a result of emissions of oxides of nitrogen (NOx).

Diesel vehicles are major contributors of NOx which can cause breathing difficulties and lead to formation of ozone which can have adverse health effects.

Diesel exhaust has been classified by the World Health Organisation as a probable cancer causing agent.

The commissions recommends that vehicles whose engines meet limits on diesel emissions which are about to be agreed by the EC should be encouraged by paying a lower annual road fund licence.

Tougher EC standards on some emissions from diesel fuel come into effect in stages from 1992 to 1996.

The commission also recommends that there should be cuts in the duty on diesel fuel which meets forthcoming standards for lower sulphur emissions to be set by the EC.

These standards, coming into effect in 1996, lower the sulphur content of diesel fuel from 0.2 per cent to 0.005 per cent.

On both fuel and engines the commission believes that the tougher standards could be introduced in the UK as an incentive to improvement before the new EC regulations are introduced.

Lord Lewis, chairman of the Royal Commission, an independent standing body established in 1970, said emissions from heavy duty diesel vehicles had been rising in recent years.

Diesel vehicles accounted for about one-quarter of the national emissions of NOx and were the major source of smoke in urban areas.

Scottish energy offer disappoints producers

THE row between the government and 22 Scottish renewable energy producers grew stormier yesterday when Scottish Office attempts to placate the generators were rejected as disappointing by the Association of Independent Electricity Producers (AIEP) writes Juliet Sychrava.

Speaking at the launch of a Greenpeace renewable energy campaign, Mr Steve Andrews, adviser to the AIEP, said producers had been disappointed by the Scottish Office's offer received early this week.

This disappointment will deepen the AIEP's resolve, announced earlier this month, to take legal action against the Department of Energy on behalf of the 22 producers; because Scottish companies are excluded from the Department's renewable energy support scheme, the Non Fossil Fuel Obligation.

In May, the Scottish Office offered all Scottish renewable producers an alternative deal, whereby they could sell a total 58 gigawatt hours of electricity to the two Scottish generators, Scottish Power and Scottish Hydro Electric, at 5.3p per unit, compared with the 1.9p they had typically received before.

But contracts from the two generators distributed earlier this week proved unsatisfactory, said Mr David Porter, chairman of the AIEP yesterday.

"We were led to believe in meetings with the Scottish Office that our members would be offered 5.3p for at least 70 per cent of their capacity," he said.

Instead, it has turned out that most producers concerned are getting 4.3p per unit when the contract price is averaged over their total production.

Mr Andrews said the Scottish Office had underestimated the total amount of megawatts that would qualify for the scheme by about 50 per cent, and so it had had to spread the money more thinly.

Yesterday the Scottish Office said the deal was consistent with its announcement in May. "The allocation of the 58 gigawatt hours was fully explained to the AIEP," a spokesperson said.

London Zoo to cut workforce, animals

By Andrew Jack

LONDON ZOO will break even and remain open next year by reducing its workforce by one-third and its collection by up to 1,300 animals, officials said yesterday.

Three joint ventures are under discussion which could inject up to £40m into the Regent's Park site, while a public appeal has raised more than £2m since the government refused to provide further funding in April.

Mr David Jones, general director, said overheads have been cut by 35 per cut through 40 voluntary and 50 compulsory redundancies.

Up to 1,300 of the 8,000 animals housed in London will be sent to other zoos over the next few months.

Visitors will see refurbishment over the coming year but are unlikely to notices changes in the collection, he said.

"We are very much alive and kicking, and expect the next season to be very attractive."

Mr Jerry Tilston, an organiser with the GMB union representing 17 employees who are losing their jobs, criticised executives for reneging on promises that redundancies would extend to senior positions up to the level of director. "Many staff feel cheated," he said. "We were told at the beginning cuts would be made from top to bottom but none of the highly-paid directors have been made redundant".

The Zoo is discussing possible joint ventures with one North American and two British consortia worth £15m-£40m. The Royal Zoological Society would retain control over animal husbandry in all of the schemes.

Under plans unveiled in June, London Zoo will become an animal conservation centre, with fewer animals.

Foreign Office is criticised for inadequate controls

By Robert Mauthner, Diplomatic Editor

THE Foreign and Commonwealth Office was yesterday "strongly criticised" by the House of Commons Public Accounts Committee for errors in its accounts resulting from failures of its computer system.

The committee said in a report that it was alarmed at the catalogue of accounting errors made by the department and stressed that "inadequate controls" had created a climate "conducive to fraud and theft".

The committee's strictures came seven months after the publication of a damning report by the Comptroller and Auditor General, Mr John Bourn, who said he was unable *to complete a satisfactory audit* of the FCO's accounts for the year ending March 31, 1990.

He therefore took the unusual step of "qualifying" his audit certificates on all four of the accounts submitted to him.

The root of the FCO's accounting failures lay in the introduction of a new computerised accounting system in 1989.

Memory Computers was chosen to provide the software package, but were unable to deliver the package in time.

The department began running the old and new systems in parallel in November 1989, more than a year later than planned.

Even then, the new software still lacked the ability "to produce output for reconciliation with the old system".

Early in 1990, Memory went into liquidation and, soon afterwards, the department's old computer broke down irreparably.

It was thus forced to produce its 1989-90 annual accounts on the new system, which had not been fully tested and contained programming errors which produced chaos in the accounting records.

The Public Accounts Committee agreed with the *FCO's* admission that it had made a mistake in believing that it could manage such a project on its own.

"We are disturbed that they should have taken so long to recognise this and to adopt a better standard of computer project management," the committee said.

However, the committee noted that, as a result of its pressure, the FCO had negotiated a reduction of £40,000 in *Price Waterhouse's £572,000* consultancy fees, in addition to a £42,000 reduction which had already been agreed previously. The department had argued that it had no reason to blame Price Waterhouse for the accounting muddle which had occurred.

While the accounting system was not working properly, the department's cashier stole £31,000, a sum which had since been recovered.

The official concerned received a suspended prison sentence of one year and was dismissed from the department.

The committee expressed particular concern that the department should have operated an ageing computer system without adequate back-up facilities and had allowed "a complete turnover in book-keeping staff at the very time that major changes were taking place". It considered a continuity of experience on accounts work and the employment of a sufficient number of qualified personnel to be essential.

TUC IN GLASGOW

Unions give backing to minimum wage plans

By Michael Smith and Ivor Owen

BRITAIN'S trade unions yesterday gave unanimous *backing for the first time to* the opposition Labour Party's plans for a national minimum wage. Their endorsement at the Trades Union Congress was accompanied by publication of an opinion poll showing strong public support for the policy.

The poll, commissioned by the GMB general workers' union and conducted by Mori, found that 76 per cent of all voters, and 69 per cent of Conservative voters, backed a *minimum wage at £3.40 an* hour.

Respondents also indicated a greater willingness to vote Labour after being told of the minimum wage plan. A Conservative lead of 2 percentage points was transferred to a *Labour lead of 4 percentage* points among the same voters after the minimum wage question was raised.

Mr Michael Howard, employment secretary, yesterday condemned the vote.

At the TUC, unions united behind a policy of pushing for more co-ordinated pay bargaining and a minimum wage but rejecting national pay norms or wage restraint.

Mr Gavin Laird, leader of the AEU engineering union who earlier this year said he opposed a minimum wage in the private sector, said his union supported the plan.

Mr Howard accused the TUC of having voted to "abandon the unemployed" and reaffirmed his department's estimate that the first stage of Labour's policy "could destroy between 1.25 and 1.5m jobs".

Pundits shorten odds on timing of election

Peter Norman assesses the implications of yesterday's unexpected cut in base rates

IT will probably take months for the latest cut in UK interest rates to have any direct effect on the economy.

But yesterday's half percentage point reduction in base rates to 10.5 per cent gave an instant boost to the nation's political pundits. The rate cut – which was the seventh half *point reduction this year* – was quick to fuel speculation in the City of London as well as Westminster that Mr John Major, the prime minister, is now preparing for a November general election.

The timing of the cut, coming shortly after a weekend opinion poll that gave the Conservatives their first, admittedly slender, lead over Labour since the spring, stimulated the political antennae of analysts.

Coming on top of a perceptible improvement in business sentiment over the past month, a growing belief that the economic recession has now bottomed out and well founded expectations that the annual rate of inflation will fall *sharply over the next two* months, they were quick to construct scenarios that would have Mr Major going to the country this autumn. His high international profile of recent weeks also strengthened the speculation.

An autumn poll – with November 7 emerging as the most widely tipped date – must now be counted as a possibility. But Mr Major still has time in which to make up his mind. The period for final decisions on whether or not to call an election this year will probably be during the Conservative Party Conference early next month.

October 11 has been pencilled in as a key date in many calendars. On that day, Mr Major will be rallying the faithful with his closing speech to the Tory conference and the retail prices index for September will also be announced. This is widely expected to show inflation dropping to around 3.9 per cent.

Will he, won't he? John Major still has to decide when to call the election

As there is an informal understanding that governments do not ease monetary policy during general election campaigns, those two events could be the cue for a further base rate cut to 10 per cent, followed by a broad hint from the prime minister about an election and a decision to dissolve parliament shortly afterwards.

However, such scenario-building cut little ice with the Treasury or the Bank of England yesterday. They insisted that yesterday's cut was an economic decision. The Treasury said that it was "right and prudent" and consistent both with keeping sterling within its fluctuation bands in the European Monetary System and maintaining continued downward pressure on inflation. The Bank, in a rare statement, described the move as a "measured response to the continuing decline in inflationary pressures."

THE Bank has in fact, been agreeably surprised by the easing of inflationary pressures since the last base rate cut on July 12.

The retail prices index for August, which will be published at the end of next week (ed sep 13), is expected to show a fall in the so-called headline inflation rate to around 4.6 per cent from July's 5.5 per cent. Further declines in the annual rate of RPI inflation to little more than 3 per cent in October must be on the cards following yesterday's mortgage rate cuts.

More important for the Bank has been the steady monthly decline in average earnings growth to 8¼ per cent in June this year from last July's peak of 10¼ per cent and the fact that this has increasingly reflected moderation in pay settlements. This trend has gone a long way to easing earlier fears that underlying inflation could prove a problem.

The view in the Bank is that inflation will be on the way down for some time to come. But even if base rates are cut to 10 per cent in the foreseeable future, the Bank sees no risk that such a monetary easing will engender excess demand over the over the next 12 months or so.

In opting for a half point cut, the authorities made clear that they do not believe the economy requires a "kick start" as demanded by industrial lobbies during the summer.

According to Mr Steven Bell, chief economist of merchant bank Morgan Grenfell, it is likely that the economy will resume growth during the current quarter, thus marking the formal end of the recession.

A further factor influencing yesterday's decision was the state of financial markets. The Bank of England was therefore able to signal a rate cut without any qualms.

The scope for a significant further downward movement in UK interest rates will be limited by the need to maintain sterling within its ERM bands. The differential between comparable UK and German interest rates has shrunk to less than 1.5 from around 7 percentage points since last October, when the UK entered the ERM, and base rates were first cut by one percentage point from 15 per cent.

Mr Norman Lamont, the chancellor, must now be hoping that the cumulative effect of the rate cuts will soon have a more perceptible impact on the economy. In the short term, economists believe that yesterday's rate reductions could trigger a virtuous circle of increased consumer and business confidence, producing a rise in the government's opinion poll standing, which would underpin sterling on the foreign exchange market and so pave the way for the next rate cut.

This would further shorten the odds on there being a November election.

BRITAIN IN BRIEF

British Steel selects new chairman

Sir Alistair Frame, the chairman of Wellcome, the pharmaceuticals group, is to become non-executive chairman of British Steel when Sir Robert Scholey retires next year. The move could open the way for a far reaching reorganisation of the steel manufacturer's senior management.

Wellcome said there were no plans for Sir Alistair to relinquish his chairmanship, which he took up in July 1990.

Sir Alistair, former chairman of RTZ, the mining group, could become one of the most powerful executives in British industry in charge of companies with a combined turnover of about £6.5bn. Observer, Page 12

Steel subsidies 'condemned'

State subsidies paid to steel producers in Spain, France and Italy were condemned as illegal in London at a meeting organised by the Bruges Group, which campaigns against federalist developments in the European Community. Mr Andrew Cook, chairman of William Cook, described how the British industry was suffering from the dumping of subsidised products on the world market.

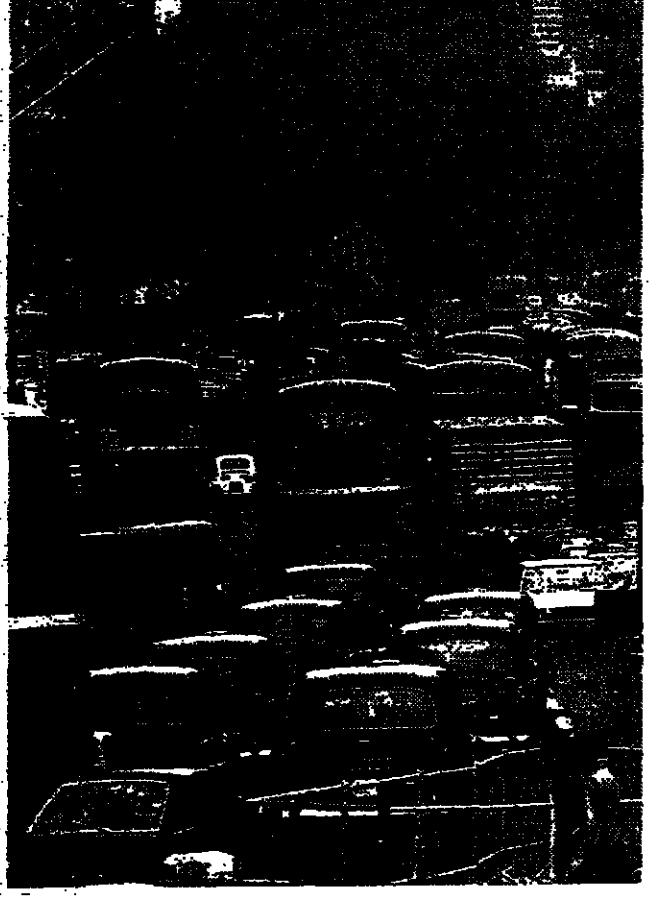
Visitors to UK decline by 12%

The number of tourists coming to the UK in the first half of the year fell by 12 per cent in comparison with the same period last year to 6.9m, according to government figures. Spending also fell 11 per cent to £[illegible]m in the first half.

The continuing decline was worse than expected by the tourist industry which had looked for an upturn in the second quarter following the end of the Gulf war.

Lloyd's to appoint agent

The Corporation of Lloyd's announced that it is to appoint a substitute agent to handle the affairs of Gooda & Partners, a small members' agency which has recently closed. Gooda & Partner handled the affairs of 340 Names, the wealthy individuals whose capital backs underwriting at the Lloyd's insurance market.



Private cars could be banned from entering central London during peak travel periods under proposals by the Liberal Democrats Party for easing traffic congestion in the capital (pictured above). They also suggest "road pricing" as a means of persuading more motorists to use an improved public transport service.

Call for new motorways

The Confederation of British Industry's north-west regional council has called for two new transpennine motorways, faster expansion of Manchester airport and privatisation of British Rail in order to ease congestion problems in getting manufactured goods to European markets.

A manifesto on infrastructure says there is a "grave danger" of north-west England, which accounts for *10 per cent of UK gross domestic* product, becoming economically marginalised in the post-1992 European single market. It criticises piecemeal planning and demands a national strategy to provide more certainty for business and local communities.

Italian group to invest in Wales

Fram Europe is to spend £3m on expending its plant in south Wales, creating another 85 jobs, in response to the needs of the Japanese motor plants in Britain. The Italian-owned company said the decision to put in a new line, taking the workforce to just over 400, was to meet the needs of companies like Nissan and Honda which are buying filters "of a significantly different design" to those used in other European motor manufacturers. Fram's decision is the 25th investment won by Wales from continental European concerns since April.

Health plan to be launched

The Health and Safety Executive has unveiled a three-year campaign to cut the number of back, arm and hand strain injuries in the workplace, which will be the biggest ever drive on a single occupation health issue. It is estimated that some 52m working days are lost each year through back problems alone.

Moscow trip is postponed

A visit by a British parliamentary delegation to Moscow later this month has been postponed at the request of the Soviet authorities. Sir Geoffrey Howe, the former foreign secretary, was to have led the delegation.

Benetton ends campaign

Benetton, the Italian fashion retailer, has withdrawn its controversial nationwide poster campaign in response to a request from the Advertising *Standards Authority. But the* company said it would proceed with a magazine campaign which the ASA says "is likely to provoke racial offence".

The poster featured a blood-smeared newborn baby with its umbilical cord still attached. The campaign is running in 50 countries outside the UK without complaint.

MANAGEMENT: Marketing and Advertising

Advertising in Czechoslovakia

Freedom brings a free-for-all

By Ariane Genillard

Around Prague's cobble-stoned streets, where old orange trams sometimes screech to a halt to let pedestrians cross as they gaze up at the city's numerous gargoyles, the 20th century seems almost *forgotten*.

It won't be so for long.

Later this month 70 of the city's trams will wear the colours of Marlboro and Camel cigarette packets. Every inch of the trams' surfaces are being painted at the moment to achieve what will resemble huge metal cigarette packets on wheels.

This advertising *coup de force* is the result of a recent contract signed between Czechpoint International, a consultancy with offices in London and Prague, and Rencar, the Czech agency in charge of advertising for the city's public transport.

Under the agreement, 75 per cent of all advertising rights for space on buses, trams, shelters and in the subway have been granted to Czechpoint International. The remaining 25 per cent of the space is available to local advertisers.

Transport Display International, the US marketing company which has exclusive advertising rights for buses in 50 US cities and has recently expanded its markets to include Budapest and Moscow, has subcontracted from Czechpoint International the entire space on 70 of Prague's 350 trams for RJR Reynolds and Philip Morris for one year.

With Brussels drafting legislation which could ban tobacco advertising virtually everywhere except inside tobacconists, tobacco companies regard eastern Europe as one of their biggest potential growth areas.

Restriction on tobacco or alcohol advertising will take time to arrive there. Neither health lobbies, which are practically non-existent, nor city planners seem to have a say in the type and amount of advertising taking over eastern Europe.

In Prague alone, advertising has sprung up in the oddest places. The entire facade of a building overlooking the historic Wenceslas Square, where Soviet tanks rolled in during the 1958 invasion, is today painted with an advertisement for the detergent, Persil. The product *is currently produced* by the Slovak firm, Palma, under a licensing agreement with Hankel, of Germany.

A few streets away, billboards overwhelm in size and colour some of the most beautiful houses in Prague which have become embassies after being confiscated when the communists came to power.

"Advertising was almost non-existent under the old regime. The few existing advertisements were often purposeless. You'd see, let's say, a billboard showing a milk bottle with a bit of political ideology written next to it in the middle of a park. So with our newly-gained freedom, people think they can do it just anywhere or in any way they please," explains Jiri Bohal, director of Merkur, one of the largest advertising firms in Prague, which recently signed a joint venture agreement with the US firm, DMB&B.

Theoretically, advertisers are supposed to seek approval from the city's Main Office of Architects, which then submits *the proposals to the state-*owned company overseeing all buildings in Prague.

"In reality, there is a woman sitting behind a growing pile of demands, not knowing what to do with them," admits Frantisek Polak, Prague's deputy mayor.

Furious to learn that trams will be painted like cigarette packets, he quickly scribbles in his notebook the names of Rencar and Transport Display International.

"There are simply no laws to tell people what is permissible. Moreover, all censorship was abolished. No-one is going to dare tell anyone now what can or cannot be said or shown in an advertisement," adds Jan Fiedler, adviser to the deputy mayor.

"While the entire tram is painted, it does not show the whole packet of cigarettes," parries Elliot Rittenband, managing director of TDI. "This is purely pushing brand awareness, it is not usage-driven," he adds.

But while the European *Community goes on debating* if cigarette advertising is ill-advised, Czechoslovak television does not hesitate to show somewhat more inducing images.

"After the revolution, advertisers would flash a naked woman on the screen to catch viewers' attention. Then, you would see the office furniture you were meant to buy. But the market took care of that method. There were so many naked bodies, no differentiation was possible any longer. Advertisers gradually stopped doing it," explains Vaclav Senjuk, who heads his own advertising agency in Prague.

Local advertising firms are finding it difficult to compete with the ways of western corporate advertisers finding their way around Prague.

Capitalist domination: advertising comes to Wenceslas Square in Prague

Striving new companies have little money to devote to advertising, adds Senjuk, and in the large existing ones, which enjoy relatively unthreatened monopolies, the need for advertising is not yet felt.

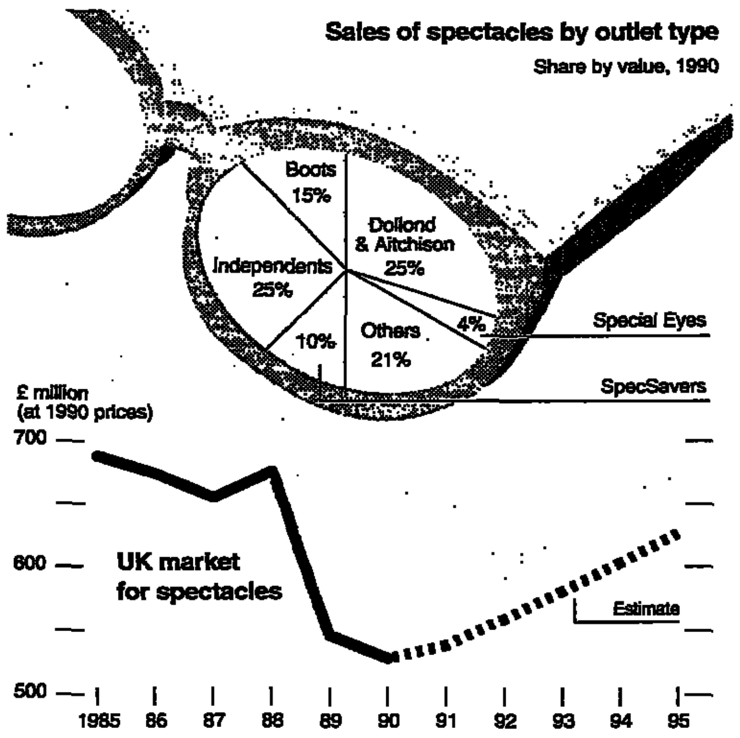
Western companies moving into eastern Europe turn to their traditional advertising agencies which have been quick to establish joint ventures locally. Very active among them is Young & Rubicam which, at the beginning of the year, signed an agreement with Jiri Kratena, one-time employee of Centrum, a large agency under the former regime.

Last year Kratena designed the television campaign for the locally-produced Lanza detergent. A shirtless Pavarotti-looking actor sung the famous aria, "Sole mio" as "Lanza mio" while a huge Lanza detergent box rose majestically in the background.

Young & Rubicam has also been handling the campaign for the electronics company, Minolta, which has adopted the colour pink to promote its brand. While Minolta traditionally concentrates on posters, often just showing the Minolta logo against a pink backdrop, it has also painted one tram in each of the cities of Brno and Bratislava.

The tram in Bratislava which shines like a blown-out piece of bubble-gum, is certainly hard to forget.

"People love it or hate it but they sure remember it," confirms Kratena.



Source: Trade Estimates, Market Assessment Publications

Opticians with an eye to the future

John Thornhill reports on an American approach to selling spectacles

The sedate world of the optician has recently seen great upheavals and the market for optical products seems set for yet more substantial changes.

For decades optometrists in the UK have prided themselves on their expertise in offering a professional healthcare service and have handed down their practices from generation to generation.

But over the past few years opticians have suffered a series of jolts which forced an estimated 350 out of 5,500 out of business in the 20 months to the end of 1990.The lifting of restrictions in 1984 on who could sell spectacles let in the first chill breeze of competition.

Following the severe slump in eye sight examinations and optical product sales that resulted from the abolition of universal free testing in April 1989, opticians have looked out onto a new marketplace where demand has to be actively created *rather than passively satisfied*. Marketing skills are at a premium.

One company which has added a novel dimension to the optical market is Lenscrafters, an aggressively marketed US business which first set up in the UK just over a year ago. It has since opened eight shops – six in London and two in Wales.

"We think the UK market can handle 50 to 70 stores. Our game plan is to get them up and running in the next two to three years," says Gus McPhie, managing director of Lenscrafters' operations in the UK, whose background is in marketing fast moving consumer goods.

Lenscrafters believes it offers customers two distinct propositions. First, McPhie says: "We see ourselves as a super-optical store with a laboratory on the premises that is capable of delivering a pair of glasses for 95 per cent of customers in about an hour."

Second, the company offers a wide selection of frames: 3,000-4,000 compared with the 300-400 available *in a traditional optician's outlet*.

In contrast to the downbeat talk of UK businesses, McPhie talks enthusiastically about expanding the market, believing it is currently underdeveloped.

He points to the opportunities for offering fashion glasses and encouraging customers to buy several frames.

"Fundamentally we have tried to employ consumer goods marketing techniques in the optical industry, including a lot of media advertising and promotions. The press advertisements include coupons for free eye sight tests," he says.

Lenscrafters sites its stores in expensive high street locations where its costs can only be covered by higher sales.

"We have to generate a lot more customer traffic compared with a company that does not have super-optical elements. We firmly believe that if we can get people into our stores we can satisfy them," he says.

But the *Lenscrafters'* approach has its doubters. Some of the independents have not welcomed the arrival of the super-optician concept believing that such stores are more interested in retailing and making good returns on their substantial investments than sustaining a rigorous healthcare service.

Others have also expressed their doubts about its marketing appeal. Bertie Pinchera, managing director of Boots' opticians chain, which runs about 300 outlets, says: "Lenscrafters has come over here with an American philosophy that speed of service is the primary requirement.

"But we do not see it quite like that. The one-hour service is only attractive to those people who need it. Some people may much rather come back the next day."

The independents have also begun to shape up to the new market conditions. The Association of Optometrists has been running professional marketing courses for its members since 1984 when advertising by practices was permitted after the restrictions on the sale of reading glasses were lifted.

"When advertising rules were relaxed there was quite a lot of press advertising but it was not found to be a terribly effective way to attract new business.

"People by and large do not choose a practitioner on that basis. They take a serious view of their eye care," says Ian Hunter, the association's secretary.

The association has also encouraged greater public relations and individual practices have experimented with direct mail shots and providing informational leaflets.

He sees the multiples taking increasing market share from the independents. "The traditional mix in this country has been 50:50 between the independents and the multiples. But this is likely to change in my view. Unless the independents are able to respond we will see a big change in how eye care is delivered in the country in the next decade," he says.


Redefining Business Class

TECHNOLOGY

Tough US laws are forcing vehicle manufacturers to step up development of electric car technology. **John Griffiths** reports

Green revolution ushers in the smoke-free car

California's pioneering legislation on stringent clean air standard is being considered by 12 other states throughout the US. Part of this legislation would require "zero emission vehicles" (Zev) – cars which do not produce environmentally damaging pollutants as a byproduct of combustion – *to form a small* but increasing proportion of car makers' total sales from the late 1990s.

The states which now appear likely to follow California's lead include some of the most economically powerful in the country – such as Texas and Illinois. The 12, with California, account for about half the estimated 10m new cars sold each year in the US.

Against the background, General Motors says it has no choice but to continue to develop electric car technology. "*We have to have a viable* electric car ready to go," says John Dabels, director of market development for General Motors' electric vehicle programme.

In recent weeks GM has become increasingly alarmed at media scepticism about the progress and viability of its "Impact" electric car programme. Dabels says that there are no longer any big technical obstacles to the car going into production and rejects reports that the whole project has been put on "hold" because of technical and financial problems. GM is mounting an offensive to convince the sceptics that earlier set-backs have not in any way reduced its determination to bring the vehicle into production.

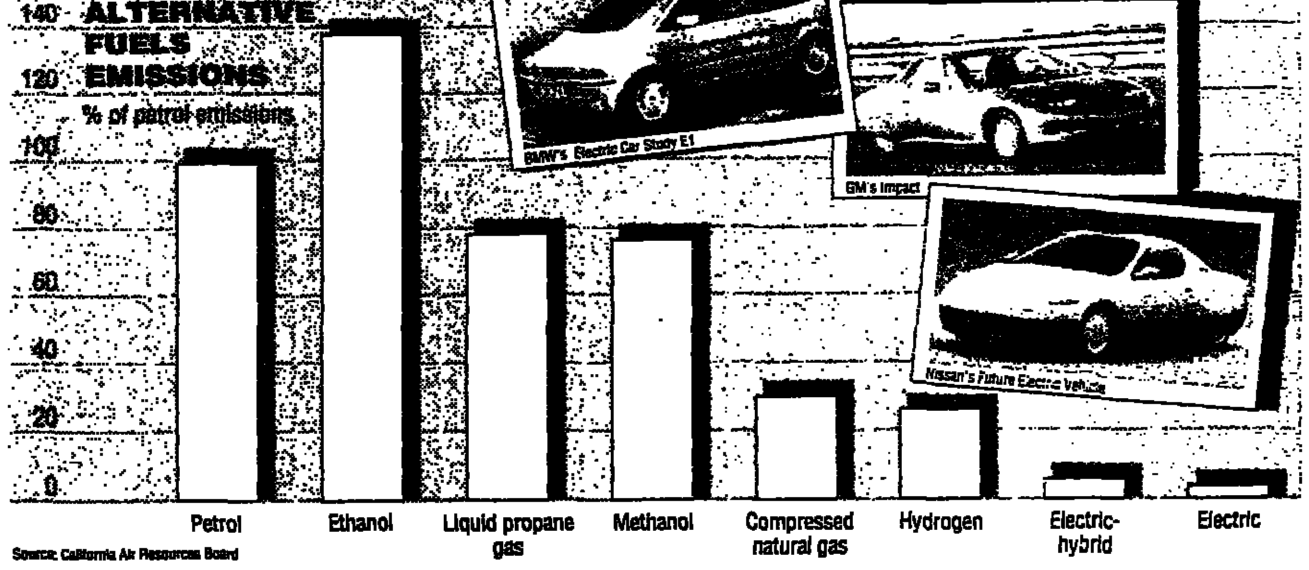
GM's offensive is well-timed. Several prototype electric cars are to be unveiled at the Frankfurt motor show next week. These cars will underline that, driven by the threat of legislation, and by popular "green" consumer sentiment, manufacturers are at last paying serious attention to the electric car.

BMW, Opel and a joint project between a Swedish group, Clean Air Transport, and the Los Angeles Department of Water and Power, will all launch their electric models.

BMW's E1, like GM's Impact, is a purpose-designed "EV" (electric vehicle) rather than a converted conventional car, such as the electric version of the new Opel Astra, which is also making its debut at Frankfurt next week.

Officially, BMW is describing the E1 as a "concept" car, designed to show that it is capable of developing an electric vehicle. In reality, though,

Hydrocarbons, CO and NOx emissions includes power plant emissions



Source: California Air Resources Board

E1 is understood to be as much intended as a production vehicle as GM's Impact.

E1, or something close to it, is likely to be on sale in California in 1998 in order to meet the requirements of state law. The E1 is a four-seater car, built by BMW Technik, a BMW subsidiary.

But the E1 is no "bargain basement" alternative to a conventional car. *It* runs on newly developed, high-energy sodium-sulphur batteries. The 200kg battery pack, mounted beneath the rear seats, generates 120 volts and 19,000 watts, powering a 32 kilowatt (45bhp) electric motor resting on the rear *axle.*

The main body structure is made of aluminium, with an outer skin of recyclable plastic. In what is a fine example of environmental 'one-upmanship', BMW says its next step is to make the body out of recycled *plastic.*

The E1 with an overall length of just over 11 feet – little longer than a Mini – is as wide and high as BMW's latest 3-series model.

BMW, like GM, is aware that that Americans will shun any car that seriously reduces their comfort; so the E1 has air conditioning. With low aerodynamic drag, the car can accelerate from standstill to 80km an hour in 18 seconds, has a top speed of 120kph and in typical driving conditions BMW claims it will travel 155 miles between battery charges.

The two main snags are the cost and the eight hours taken to recharge the battery. The battery pack alone costs DM40,000 (£13,605), although this should drop to DM10,000 (£3,401) when the batteries are in volume production.

Also to be unveiled in Frankfurt is the LA 301, a joint project by the Swedish group, Clean Air Transport, and the Los Angeles Department of Water and Power. The project forms part of the Los Angeles "*electric vehicle initiative*", devised by the city council and state utilities, to put 10,000 electric cars and light commercial vehicles on the roads of smog-ridden southern California by 1995.

Pilot production of the LA 301 is to start at the end of this year at a new plant in Worthing, southern England. The plant is being set up by International Automotive Design, one of the world's largest vehicle design and engineering consultancies, which carried out development of the LA 301.

By early 1992 production should reach 60 units a week, with larger-scale manufacturing facilities – depending on demand – planned in the US for 1993.

Unlike GM's Impact or BMW's E1, the LA 301 is a "hybrid", *using a small catal*ysed petrol engine in conjunction with lead acid batteries to extend the travelling distance of the vehicle to 120 miles before a battery recharge. To comply with California's laws the LA 301 operates in electric *mode only in urban traffic. It* also has air conditioning.

Meanwhile, Volkswagen may unveil the prototype of an electric car at Frankfurt. It is being developed through a joint venture with SMH of Switzerland, maker of the Swatch plastic watches. The car envisaged is smaller than a Mini with a hybrid drive system claimed to have a range of more than 300 miles.

Such activity is regarded by GM as additional evidence that the Impact project should be taken very seriously.

"*We realise that there is* a lot of scepticism," says Dabels. "But we are wholly committed to the project: we have allocated a plant to it (a former Buick facility at Lansing, Michigan) and are now converting it to produce Impact – *or a car very closely based on* it – by the mid-1990s".

Dabels insists that GM has at no stage formally set a launch date for the cars "because we don't want to over-promise and under-deliver". And he insists that the *Impact, or a close derivative of* it, will be in commercial production well before California's legislation takes effect in 1998.

California's legislation has teeth. It states that by 1998 Zevs must make up 2 per cent of sales of every manufacturer selling more than 35,000 cars in the state, rising to at least 10 per cent of annual sales from 2003. Manufacturers which do comply will be barred from selling any vehicles in the state. Based on sales projections, this means some 30,000 *Zevs will be sold in 1998, rising* to nearly 150,000 a year from 2003.

Faced with the demands of such stiff legislation, GM's apparent commitment to Zev technology in general and Impact in particular comes into sharp focus.

Even using existing lead acid battery technology, the two-seater Impact will have a travelling range of more than 100 miles, based on a cruising speed of about 55mph, well in excess of that achievable by converted conventional cars.

Impact's relatively low weight of 2,200 pounds and the high torque generated by its twin electric motors provides similar acceleration to that of a small sports car.

In any event, GM is now stressing that the electric car cannot be a replacement for all conventional cars. It is seen as a car for urban use by families with other cars for longer distance driving.

One of the tasks facing the industry, says Dabels, is to impress upon the public that different cars have different uses. "We need to get away from the idea of 'his 'n her' cars towards a family using whatever car is appropriate for specific trips," he says.

The question of battery technology, and which "super-batteries" might emerge, is of vital importance in the longer term – and not just because of their potential for significantly extending travelling range.

Several technologies, from sodium sulphur to nickel-iron, are being explored by the US Advanced Battery Consortium, comprising the "big three" *US* car makers – GM, Ford and Chrysler – with US federal government collaboration.

In developing Impact, GM is trying to ensure that it will be able to adapt to whatever battery technology emerges as the best. "We have got to take the power source out of the competitive equation," says Dabels.

GM's view is that if customers worry about whether they are buying the right power source, they simply won't buy – in the same way, for example, that many potential buyers of video recorders held back until the battle between VHS and Sony's Betamax system was resolved.

Intelligent body from Nissan

Nissan appears poised to reap competitive advantage from a new "intelligent" flexible body production system it has developed and is now installing in its car plants.

The company, Japan's second largest vehicle maker, says the system is capable of cutting from one year to less than three months the lead times needed to prepare for the welding and assembly of the body of a new model.

However, even the 'intelligent body assembly system' (IBAS) is seen by Nissan as only a stage in its development of a more sophisticated system. This would be capable, according to one of its senior production executives, of producing a vehicle body "at any time, at any production location and in any volume required".

According to Yoshitada *Sekine, Nissan's general* manager of production engineering, such a system is still "some way off".

However, the IBAS systems recently installed in Nissan's plants in Japan, and due to go into operation next year *at its Tennessee factory* in the US, are seen as a big *step* forward in the race to develop a greater variety of models over ever-shorter time scales.

The rationale of the IBAS system is to replace the massive jigs that normally hold in place the pressed steel panels to be welded into a body. Conventionally, each model requires its own dedicated jig. Such jigs are expensive to make and difficult to change.

With IBAS, such dedicated jigs are replaced by a computer-controlled one which can *be instantly programmed* to accommodate the panels of any model in the Nissan line-up.

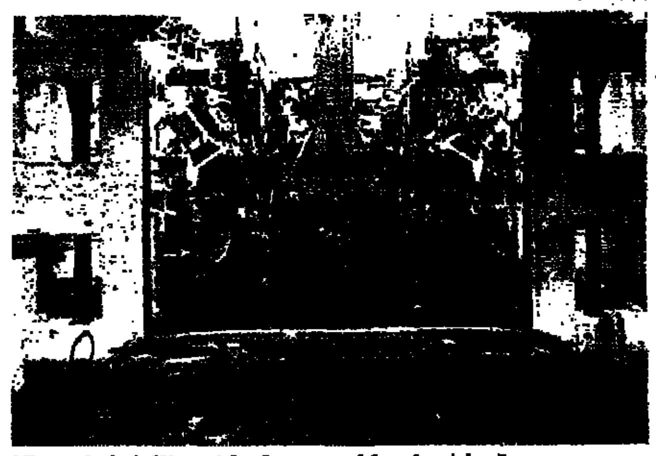
Deployed within a huge steel framework, 35 robots position the body panels while another 16 spot weld the panels together.

"In the past", says *Sekine*, "a model change required modifications of both jigs and welding robots in accordance with the *new* production design. Re-tooling took about 12 months. Capital investment was large. Now IBAS allows model *changes to be made* simply by changing the relevant data in the computers, reducing lead time to two or three months and bringing down the cost of changeover considerably".

IBAS also allows the body *production process to be* modelled on the computer, thus making it possible to identify potential assembly problems before the design *of* a body is finalised.

Nissan is giving no indication of the possible time-scale *for the introduction* of an 'ultimate' system – but it is reducing new model introduction times on several other fronts. These include computer simulation of press die stamping operations and the creation of a unified database for die press manufacturing and an automated assembly line for trim and chassis assembly operations.

John Griffiths



Nissan's intelligent body assembly plant in Japan

CINEMA

Love and satire in black and white

JUNGLE FEVER
Spike Lee

CLOSE MY EYES
Stephen Poliakoff

OSCAR
John Landis

TETSUO: THE IRON MAN
Shinya Tsukamoto

Saskia Reeves and Alan Rickman in Stephen Poliakoff's 'Close My Eyes'

History has a sense of humour. Have you noticed how often seemingly obsolete devices suddenly bound back into everyday use? Like condoms. Or democracy in Eastern Europe. In today's cinema black-and-white films are back; or movies scarcely less two-tone than those of the pre-Technicolor heyday. In this week's *Jungle Fever*, blacks mix it with whites as part of the ethnic meltdown currently amazing modern cinema.

Poised between detente and Armageddon, new pictures like *Boyz N The Hood*, *A Rage In Harlem*, *New Jack City* and *Jungle Fever* hurl black characters at the camera as if we have never seen them before. And perhaps we haven't, at least in the numbers we are seeing now and in human-rather-than-Hollywoodised form.

Spike Lee's *Jungle Fever*, like his *Do The Right Thing*, is a bustling tragicomedy about the racial divide. As the surrealist road-sign titles suggest – aerially weaving above New York to the pounding of Stevie Wonder's title song – a filmgoer needs to be a traffic cop to co-ordinate this many characters. Middle-class black architect Wesley Snipes is married to light-black beauty Lonette McKee but has a side-order adultery with white work colleague Annabella Sciorra: this to the horror of Snipes's black pal Spike Lee ("H-Bomb! – nuclear megaton bomb!") and to the grief of Sciorra's Italian boyfriend John Turturro (resembling a turnip in shock) who keeps getting an ear-bashing from racist Dad Anthony Quinn.

Meanwhile Snipes's crack-addict brother Samuel L. Jackson (Cannes Best Supporting Actor) is sliding to ruin while his Reverend Dad Ossie Davis is trying to slide up to Heaven; preferably without his children.

I know how much can be absorbed over your morning Grape Nuts and you have been patient. The marvel is that actor-writer-director Lee keeps his interconnected plots lucid and mettlesome. Around the hurricane-eye of the main romance whirl the bewildered gossipy scorn of Miss McKee and her all-black hen parties, surgically dissecting the hypocrisies and contradictions of black-white sexual attraction, and the franker passions of the Italian quarter. Mr Quinn is a delight. He seizes the emotional spotlight whether raging with racism ("You f– a nigger!") or shaking a headful of white hairs at black supremacism. "They took our sports – baseball, football. What's left?" "Golf?" suggests his son.

The film is about stereotypes and the way we live with them. We jump to the glibbest conclusion about other people and other races and then wonder why they never behave as we expect them to. When a little girl makes a daft misconstruction about human behaviour – "Daddy, why're you always hurting Mummy?" pipes Snipes's 5-year-old in scene one after a noisy bedroom session from her parents – the audience chuckles condescendingly. When grown-ups misconstrue, suggests Lee, few people either chuckle or even recognise. Made with the sly, surging wit of a Brueghel painting, *Jungle Fever* is a large, teeming, masterly human satire.

★

Mention of semi-obsolete objects that leap back into usefulness brings us to Stephen Poliakoff. Who would have believed that the playwright-filmmaker who gave us *Runners*, *Hidden City* and *She Went Away*, three state-of-Britain whinges that we wished *would* go away, was the creator-in-waiting of *Close My Eyes*?

This is a comedy about incest, adultery and, yes, the state of Britain. But it is as far from being a whinge as Rawalpindi is from Rickmansworth. Which brings us to Alan Rickman. As the rich, blasé husband of Saskia Reeves, who is embarking on a guilty affair with her brother Clive Owen, Rickman is dazzling. Whether languidly teasing his wife, slyly testing his rival or floridly discounting his own Renaissance brilliance – "I'm one of those boring people who've read all of Proust in French" – this actor is a force of nature whose like we have not seen since . . . well, why limit? Whose like we have not seen.

Rickman is a film-stealer, but he meets his match here. *Close My Eyes* is burglar-proofed with its own brilliance. Poliakoff uses his sibling-incest plot as a prism through which, with like pangs of inbred longing, we watch the slow-ruining beauty of beloved Britain. Rickman and Owen, speculator and planning watchdog respectively, link destinies over lunches and business chats and Docklands walking tours as well over Miss Reeve.

Since the story is set in 1985, the enterprise culture creates a halo of optimism even around the lovers. They shuttle between country picnics and London lovemakings as if Thatcher's Britain were an eternal Brideshead eternally revisitable.

Without its wit and incandescent acting, the film might have been another Poliakoff lecture. But it's a sign of his cinematic growing-up that there are no "withouts." *Close My Eyes* is a cunning, radiant fable about love's wilful blindness: love of girl or man, love of brother or sister, love of a country where enterprise can means ruin as much as renewal, and where social mobility means rises for some and vertiginous falls-from-grace for others.

Nigel Andrews

The only thing funny about John Landis's *Oscar* is that it was made in the first place. As if the notion of this least subtle of directors doing a 1930s screwball-style comedy weren't absurd enough, he also gives us Sylvester Stallone in the leading role. The result is a frantic film which is utterly devoid of humour.

Stallone plays Angelo "Snaps" Provolone, a Prohibition-era bootlegger who promises his dying father that he will mend his crooked ways. He meets serious resistance from colleagues and family, however, who have all grown used to his criminal largesse. To make things worse, the police continue to hound him, rival gangsters don't trust him and the legitimate bankers he's trying to join are ripping him off. And, worse still, his daughter announces that she and Oscar the chauffeur are going to have a baby.

Now, this is not a bad premise for a comedy at all – one can imagine the sort of fun Preston Sturges would have had with it. Landis is from a different school of comic direction altogether, however, his style spanning the short gap between the gross-out humour of *Animal House* and the big budget burlesque of the *The Blues Brothers*. He simple doesn't have the right touch for the sort of knowing banter and split-second timing needed to make a screwball comedy work. Writers Jim Mulholland and Michael Barrie are no help, providing a script thin on wit and thick with pointless plot. Stallone labours heroically, but suffers from the small drawback of not being funny, at least not when he's supposed to be. The rest of the cast follow his lead, with even such usually reliable actors a Peter Riegert, Harry Shearer and Tim Curry giving performances as wooden as a bootlegger's cask.

You find yourself wishing the actors in *Tetsuo: The Iron Man* were a bit *more* wooden. This strange and violent Japanese film about a businessman who begins to turn to metal after a hit and run accident is the cinematic equivalent of having your eyes welded open. The opening scene has a metal fetishist graphically inserting an iron rod into his thigh, after which things get progressively nastier. While the film's theme of post-industrial man turning into the stuff of machines has a certain validity, director Shinya Tsukamoto overworks it with a molten flood of harrowing imagery. The scene where our hero's penis turns into a massive power drill which he uses to menace his girlfriend would be unwatchable if it weren't so bizarrely inventive. Strictly for those who found David Lynch's *Eraserhead* to be thin gruel.

★

Frank Capra, who died yesterday at the age of 94, was fortunate that the world was collapsing around him just as he hit the prime of his career. The Great Depression served as the backdrop for his great films, allowing such brilliantly populist, brazenly sentimental work as *It Happened One Night* (1934), *Mr Smith Goes to Washington* (1939), and *Meet John Doe* (1941) to strike accord with a weary public. Although his films often focused on the underdog, the tone was unabashedly hopeful. This rosy focus was out of place in the post-war years, when anxieties became more complex. Indeed, his only memorable film of that time, *It's a Wonderful Life* (1946), could have been made 10 years earlier. Capra was that rarest of directors, who could perfectly capture his era while at the same time allowing his audience to forget about it for a couple of hours.

Stephen Amidon

Hedda Gabler

THE PLAYHOUSE

One sensed last week that London's West End was looking up with the production of Ibsen's *Brand* at the Aldwych. Here was a serious play, newly translated and reasonably well done. *Brand* seems only a signpost, however, compared with *Hedda Gabler* at the Playhouse.

This is the Irish approach to Ibsen. You might even say that it is the Irish translation, for not only are the accents Irish, the impression is that the play might well have been set in Ireland in the first place. Above all, the Irish, not famed for doing things on time, do it fast.

The Abbey Theatre's production has already been praised on its first appearance in Dublin earlier this summer. In London it should be a revelation. Seldom in the last year or two have I seen an audience so hooked, wrapped up not only in the plot, which has its twists, but in every single nuance.

First tribute must be paid to Fiona Shaw as Hedda. Anyone who has ever thought that this is an unsympathetic part to play now has the answer. She is a complex, but recognisable character: a married woman who is attractive and intelligent, but bored and poor. Jane Austen would have recognised her immediately. Ms Shaw's Hedda is neither unutterably selfish nor incapable of remorse. She is a round character who thinks, feels and develops on stage. She conveys her boredom without imposing it.

Yet Ms Shaw would presumably be the first to admit that this is not a one-woman performance. The triumph lies in the production. At the final curtain I was slightly surprised to be reminded that there are only seven people in it, so much had one been caught up in a society without any feeling of claustrophobia.

The direction by Deborah Warner is precisely what it should be: namely, direct. It concentrates on a few simple ideas and a few simple points. Take, for example, the case of the hat. Hedda complains in the first act, and later admits that she did it to be cruel, that Aunt Jules has been uncivilised in leaving a hat in the drawing room. Thereafter there is a social problem whenever a hat has to be taken off and put somewhere. This is largely not spoken, only hinted at.

In the second act attention shifts to the placing of the manuscript, around which much of the plot revolves. The manuscript is a kind of substitute for a child and is finally burnt. Again Ms Warner's direction does not overdo it. Bestriding the hats and the manuscripts are the pistols which appear in both acts. They are not seen too much, but you never forget their critical, sinister presence in the background. In the end, of course, they are lethal, not once but twice. One of the most shocking lines is the news that Ejlert has been killed by a shot not in the head or the chest, but in the stomach where Hedda had placed it. It is like the killing of a child, but Ms Warner does not dwell on it. Her direction lets the action and the text speak for themselves. When the occasional act of physical violence takes place, like Jorgen suddenly going for Hedda, it comes with a shudder of genuine surprise.

None of that would be possible without the speed with which it is performed. Some sequences indeed would be intolerable with the customary English pauses. That is the Irish lesson.

Malcolm Rutherford

Alastair Muir

Doreen Hepburn and Fiona Shaw

Lipstick Tango

WAREHOUSE, CROYDON

The tango: there's a lot of it about. *T. Argentino* recently closed, *T. at the End of Winter* recently opened, and now *Lipstick T.* The tango is a dance of sex. (All *that* foreplay and energy with the feet; and those interlocked pelvises.) And it is morbid. The rhythm, the mood, the words deal with death; fate; oppression; cruelty; obsession; etc. *Tango Argentino* knew that, and kept developing it as a thrilling, glamorous and witty stage world.

In Buster Theatre's new *Lipstick Tango*, however, the tango is just a heavy symbol that punctuates proceedings. The five players enact an array of situations so fragmented as to be largely incomprehensible; but, once I had given up trying to make head or tail of how one scene connected with another, it became evident to me that they boiled down to the same nexus of sex, erotic obsession, irony and death.

Irony is developed by having actors continually swapping between two roles each, by having them comment on their own situations in prolonged asides, and by presenting several scenes as if they were being rehearsed for a Radio Buenos Aires afternoon play called *Lipstick Tango*. > For example . . . While a man makes love to a woman on a table, she dictates a Dear Agony Aunt letter about the two men in her life. The man leaves, and the woman switches gear into a third-person-singular narration of the situation of a second woman onstage. Then this second woman tells us her story, which seems wholly unrelated, in the first person singular. Then the two woman converse; and their dialogue is on yet another wavelength. Confusing, yes. Rewarding, no.

Everyone is inside and outside their situations at the same time. Some situations recur in different ways. None of this makes what's what any clearer. On one level (narrative), *Lipstick Tango* is wholly baffling. On another (content), though, it's pretty obvious. The tango: where men are callous, where the women are wronged, and where both sexes seem perpetually on heat.

This view of life seems to me at best narrow; and it belittles the tango too. (The dancing is not bad, but no tango is allowed to reach its own conclusion.) Katie Campbell and the director Sarah Harper have concocted *Lipstick Tango* from the novels of Manuel Puig; and the worst thing I can say about it is that it has put me off reading them.

Alastair Macaulay

The Lucerne Music Festival

The open-air serenade concerts at the Lion Monument have long been a feature of this festival. The site is delightful – a grove of trees by a small sheet of water backed by a sounding-board of scored rock into which is carved, after a relief by Thorwaldsen, the figure of a wounded lion. The stillness has a calming effect on the audience. A few leaves may rustle but nobody moves. The concerts (of one hour's duration) have been closely associated with Paul Sacher, veteran conductor, generous and enterprising Maecenas, an "esprit animateur" if ever there was one.

For the first serenade this year (repeated the next evening) Sacher and the Collegium Musicum from Zurich nodded at Mozart with the *Kleine Nachtmusik* and with trumpet concertos by Wolfgang's father Leopold and Haydn's brother Michael. The soloist, Haakon Hardenberger, woke the birds to (unsuccessful) rivalry with his shining phrases, more liquid than ever under the open sky.

Sacher's rococo is sedate, untouched as yet by the freshed-up speeds of younger interpreters. At the outset he challenged our ears with the almost inaudible opening murmurs of Schoeck's *Sommernacht* (1945) a "pastoral intermezzo" for string orchestra, a silverpoint nocturne filled with subdued scurryings over which stray faint echoes of distant dance music.

One of the big symphony concerts is labelled in the programme – without explanation – as a "gala for a new concert hall". Lucerne needs one. But since the site of the Kunsthaus, facing the lake, close to railway station and town centre, is too good to lose, a thorough overhaul of the acoustics might be the best solution. This is surely of paramount importance when, as many appear to think, the festival's main attraction is the array of famous visiting orchestras and star conductors. 1991 brings the Philharmonics of Berlin, Vienna and Israel, the Amsterdam Concertgebouw and many others including the Academy of St. Martin in the Fields.

I caught the Israel Philharmonic with Zubin Mehta conducting Mahler's Fifth Symphony, and a beefy hard-driving performance it was. All the lines thickened, leaving a minimum of inward probing, little distinction and less delicacy. The distant Alpine vistas failed to open up – one could not help noticing this in a city where the real thing lies so close. Any amount of hot tone. The Israeli strings glowed in sustained passages, but they glowed viscously. In the Adagietto the harp notes were like bubbles struggling upwards through condensed milk.

What one heard was not an accurate impression, surely, of this eminent orchestra. All audience eyes were on the adored Mehta, prancing and curvetting on the podium. Endless applause and recalls, a mite prolonged perhaps by the attendants' disinclination to open the doors until the last possible moment. Full marks to the ventilation at the Kunsthaus. On two swelteringly humid evenings the hall was as cool as cucumber.

Ronald Crichton

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

■ AMSTERDAM

Muziektheater 20.15 Dutch National Ballet, in its first programme with Wayne Eagling as artistic director, opens its new season with works by Balanchine, Hans van Manen, Toer van Schayk and William Forsythe. Repeated tomorrow and Sun; also Sep 8, 9, 11, 12, 14, 15, 17, 18. Sat: Netherlands Opera in Tchaikovsky's Mazeppa (6255 455/ credit card bookings 6211 211)

■ ATHENS

Herod Atticus Theater 21.00 Alvin Ailey Dance Theatre. Also tomorrow, Sat and Sun (322 1459)

■ BARCELONA

Gran Teatre del Liceu 20.00 Béjart Ballet Lausanne in Ring Round the Ring, four hours of Wagner's music choreographed by Maurice Béjart. Runs till Sun. Next week: Dance Theatre of Harlem (412 1466)

■ BERLIN

Schauspielhaus 20.00 Claudio Abbado conducts the Berlin Philharmonic Orchestra in the opening concert of this year's Berlin Festival: Brahms' Fourth Symphony and Piano Concerto No 2, with Alfred Brendel. Repeated tomorrow and Sun. Tomorrow in the Philharmonie Kammermusiksaal: piano recital by Murray Perahia (West Berlin 2614 383)
Deutsche Oper 19.00 Stefan Soltesz conducts John Dew's German-language production of Meyerbeer's Les Huguenots, in a performance marking the 200th anniversary of the composer's birth. The cast is led by Angela Denning, Lucy Peacock and Richard Leech. Repeated on Sun. Tomorrow and Sat: ballet triple bill, with works by Balanchine and Roland Petit (West Berlin 3410 249)
Staatsoper unter den Linden 19.00 John Cranko's ballet The Taming of the Shrew. Tomorrow and Sat: Lortzing's comic opera Zar und Zimmermann. Sun: Falstaff (East Berlin 2004 762)
Komische Oper 19.00 Christine Mielitz's production of Cavalleria Rusticana and I Pagliacci. Tomorrow: Jochen Kowalski stars in Handel's Giustino, staged by Harry Kupfer and conducted by Hartmut Haenchen. Sat: Swan Lake. Sun: Kupfer's production of Carmen (East Berlin 2292 555)

■ BONN

Beethovenhalle 19.30 Michael Schonwandt conducts the Orchestra of the Beethovenhalle in Jurg Baur's Sinfonietta (1990), Mozart's Piano Concerto No 20 with Ingrid Haebler, and Strauss' Alpine Symphony (773666). The opera season begins on Sun with a revival of Graham Vick's production of Rigoletto conducted by Ivan Anguelov, with further performances on Sep 11, 14, 18, 24, 28 (773667)

■ BRUSSELS

The concert season at the Palais des Beaux Arts opens tomorrow with a programme of Lutoslawski's Chain 3, Mahler's First Symphony and Beethoven's Third Piano Concerto, played by La Jeune Philharmonie under Ronald Zollman, with Frank Braley piano soloist. On Sun at 15.30, Steven Isserlis is cello soloist in Tchaikovsky's Rococo Bariations, in a concert by the Belgian National Orchestra conducted by Paul Strauss (507 8200). The opera season at the Monnaie opens on Oct 8 with the first night of Herbert Wernicke's new production of The Ring (219 6341)

■ FRANKFURT

Alte Oper 20.00 Pierre Boulez conducts the Ensemble InterContemporain in Harrison Birtwistle's Secret Theatre, Berio's Calmo, Messiaen's Oiseaux exotiques and Philippe Manoury's Musique II. Tomorrow. Heinrich Schiff is conductor and cello soloist with the Deutsche Kammerphilharmonie in music by C.P.E. Bach, Beethoven and Valentin Silvestrov. Sat: Nina Tichman plays piano music by Bach, Elliott Carter and Schubert. Sun: Ingo Metzmacher conducts Ensemble Modern in a new music programme (1340 400)

■ HAMBURG

Musikhalle 20.00 Riccardo Chailly conducts the Royal Concertgebouw Orchestra in Brahms' Third Symphony and Dvorak's Violin Concerto, with Midori. Tomorrow: Melos Quartet, with Ulf Rodenhauser clarinet, plays chamber music by Brahms and Dvorak. Sat: Gerd Albrecht conducts the Berlin Staatskapelle in Brahms's First Symphony and Dvorak's three concert overtures Op 91-93. Sun at 11.00 and Mon at 20.00: Kurt Sanderling conducts the Hamburg State Philharmonic Orchestra in Shostakovich's Fifth Symphony and Brahms' Piano Concerto No 1 with Elisabeth Leonskaja. Sun at 20.00 in Hauptkirche St Michaelis: Dvorak's Requiem (448826)

■ LONDON

MUSIC
Coliseum 19.30 David Atherton conducts a revival of Tim Albery's production of Billy Budd, with Peter Coleman-Wright in the title role, Richard Van Allan as Claggart and Philip Langridge as Vere, also Sat. Tomorrow: Werther (071-836 3161)
Queen Elizabeth Hall 19.45 Frans Brüggen conducts the Orchestra of the 18th Century in a programme entitled Mozart in Leipzig May 1789, including Symphonies 35 and 39, the Piano Concerto No 25 with Robert Levin and concert arias sung by Diana Montague. Brüggen conducts similar Mozart programmes tomorrow, Sat and Sun, with soloists including Malcolm Bilson and Arleen Auger (071-928 8800)
Royal Albert Hall 20.00 Simon Rattle conducts the City of Birmingham Symphony Orchestra in Mahler's Ninth Symphony. Tomorrow: Andrew Davis conducts the BBC Symphony Orchestra and Chorus in Bridge, Tippett and Ravel. Sat: Seiji Ozawa conducts the Boston Symphony. Sun and Mon: Colin Davis and the Dresden Staatskapelle (071-823 9998)
THEATRE
● Hedda Gabler: Fiona Shaw stars in the Abbey Theatre Dublin production of Ibsen's quasi-feminist tale of quiet oppression, directed by Deborah Warner (Playhouse 071-839 4401).
● Our Town: Alan Alda makes his British stage debut as the State Manager in Thornton Wilder's play set in an imaginary small American town. The cast also includes Jemma Redgrave and Robert Sean Leonard. Directed by Robert Allan Ackerman (Shaftesbury 071-379 5399).
● Tango at the End of Winter: Kunio Shimuzu's Japanese play, in a transfer of the Edinburgh Festival production directed by Yukio Ninagawa, with a British cast led by Alan Rickman (Piccadilly 071-867 1118).
● When She Danced: Martin Sherman's play (1985) about the legendary dancer Isadora Duncan and her relationship with the Russian poet Sergey Esenin. Vanessa Redgrave stars in the play's first West End production (Globe 071-494 5065).
● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ NEW YORK

New York State Theater 20.00 Chris Nance conducts Frank Corsaro's production of Madama Butterfly, with Elizabeth Holleque in the title role and Stephen O'Mara as Pinkerton. Tomorrow: The Cunning Little Vixen (870 5570)

■ PARIS

Eglise de la Madeleine 20.30 Festival d'Art Sacré: Hikmet Simsek conducts the Orchestra and Chorus of the Ankara Opera in Yunus Emre, oratorio by Adnan Saygun (1907-1990). The festival runs till Dec 6. Next concerts: Ton Koopmann conducts Mozart's Requiem at the Eglise Saint-Clotilde on Sep 13 and 14 (4233 4300). Tomorrow at the Opéra Bastille: Ozawa conducts the Boston Symphony Orchestra (4001 1616)

■ ROTTERDAM

De Doelen 20.15 Jeffrey Tate conducts the Rotterdam Philharmonic Orchestra in Schubert's Eighth Symphony and Elgar's Enigma Variations, with Christian Tetzlaff soloist in Berg's Violin Concerto. Repeated tomorrow (413 2490)

■ STRATFORD

Royal Shakespeare Theatre 19.30 Robert Stephens is Sir John Falstaff in Adrian Noble's production of Henry IV Part 1, followed tomorrow by Part 2. On Sat at 13.30 and next Tues, Clare Holman and Michael Maloney star in David Leveaux's new production of Romeo and Juliet. (0789-295623)

■ VIENNA

Staatsoper 19.00 Peter Schneider conducts Die Zauberflöte with a cast led by Barbara Bonney and Robert Lloyd. (51444 2960)

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Thursday September 5 1991

Nibbling at interest rates

THE TREASURY claims that the half point cut in the base rate announced yesterday was "right and prudent". This adds little to public knowledge. Even though glasnost may have triumphed in the rapidly disappearing Soviet empire, the Treasury is unlikely to announce that an interest rate cut is both wrong and imprudent. But sometimes they are, particularly when elections loom close. Fortunately for the UK, this is not one of those times.

With growing evidence of declining inflationary pressures, continued doubt about the likely strength of any economic recovery and real short term rates of interest – even after yesterday's cut – at 4-5 per cent, the domestic case for lower rates of interest has remained strong. At the same time, sterling is still close to its central rate of DM2.95. Not only that, but it remained stable yesterday, suggesting once again that its position remains *invulnerable to the rapidly* diminishing interest rate differential *vis-à-vis* the D-Mark.

The ability of the UK authorities to reduce the short-term interest rate differential while keeping sterling close to its central rate against the D-Mark has been both the most remarkable and the most encouraging feature of experience since sterling was put into the ERM last October. The gap between base rate and the German Lombard rate has fallen by almost 5¾ percentage points over the past year; the gap on three-month money has shrunk by 5¼ percentage points; and both are now down to 1¼ percentage points. That this has happened without a depreciation suggests a considerable increase in confidence in sterling's short-term stability.

Striking convergence

At first glance, the convergence of long-term interest rates seems less remarkable. Last September, five year gilts had a redemption yield of just over 12 per cent, while that on comparable German bonds was 9 per cent. Now the redemption yield on the German securities is still close to 9 per cent, but that on gilts is down to just over 10 per cent. A year ago, therefore, bond markets suggested that the exchange rate against the D-Mark would be about DM2.50 five years hence. Now they suggest it will be not far below DM2.80. Here too the change is remarkable.

The principal economic question for the longer term is whether this improvement in longer-term expectations can be made to stick. That will depend, in turn, on whether the UK manages to achieve internationally competitive levels of inflation as well as sustained economic growth. This achievement – something that has escaped the UK for more than a generation – is far from secure. Without still lower rates of wage *inflation, it* will remain insecure.

Chief question

Meanwhile, the economic and political question for the short term is how much room exists for lower rates of interest. At the longer end, the opportunity must be small, *unless German long-term rates* of interest themselves fall sharply. Nothing in this week's announcement of German fiscal policy suggests that this will happen soon, although a determined Bundesbank might yet bring it about.

Since the way the Bundesbank would do this is by using high short-term rates of interest to tip the German economy into recession, prospects for short-term rates of interest in the UK would then be decidedly gloomy. But even if German short-term rates were to go no higher, Norman Lamont's room for manoeuvre would be small. Another half a percentage point cut in base rate seems likely; another one percentage point possible. But to go still further would be a remarkable – though not an inconceivable - success. The futures market is not that optimistic. It suggests that short-term rates of interest will be only another half a percentage point lower next June.

By cutting now, the chancellor of the exchequer suggests his confidence that there is another shot or two in the locker before an election even if that is called in the autumn. For once such pre-election calculations do at least not make disastrous economics. That is the one silver lining in the recessionary cloud.

An ambiguous US recovery

THE SHARP 3 per cent improvement in the monthly index of the US purchasing managers (NAPM) – the key *indicator of industrial sentiment* – seems to provide strong confirmation of other recent recovery signals. It is the seventh successive monthly rise in the index, and follows a record jump in durable goods orders in July, unexpected strength in retail sales, in the official leading indicator, and in construction activity.

Yet the response to this good news is tentative, to say the least. The equity market is drifting and the dollar is positioned for a further cut in interest rates. Some of the more bearish market analysts are even suggesting that the whole recovery is a statistical illusion, based on faulty seasonal adjustment. This is scarcely plausible, but there are quite strong reasons to question the strength and staying power of the recovery.

The strongest is the continued weakness in final demand. Consumer sentiment remains weak, and real incomes have recently been falling; car sales have turned anaemic again after the beginning of an apparent surge. Retail chains – except for those known for the lowest prices – still report disappointing sales.

There are bright spots in industrial plant, black holes in commercial building and defence equipment, difficulties in the computer and airline industries, and deep recession in the old boom area of the north-east and California, balanced by continued recovery in the once-depressed rust belt.

The only unequivocal source of growth, however, is export orders. At a real annual growth rate of less than 5per cent, these are hardly strong enough to float the whole economy, as they did when they were rising nearly four times as fast in 1987-8.

Inventory cycle

At this stage, in short, it appears that the US is enjoying not a broad recovery, but what we were repeatedly told was impossible – the upside of an inventory cycle. The legend was that with modern methods of just-in-time production and computer-based stock control, inventories would play little role in the business cycle; but not for the first time, analysts seem to have over-dramatised a slow technical change. The motor industry, especially, entered the recession drastically over-stocked; indeed even its improved third-quarter production plans are still being held below the rate of sales.

Continued rundown

This means that for the moment, we are seeing not so much an inventory-led recovery as a relaxation in earlier efforts to run down excess stocks – a rather negative sort of recovery. This picture is confirmed even in the bullish NAPM survey, which shows that despite higher orders, manufacturers intend to cut inventories further. This is hardly a picture of strong underlying confidence; and the *employment scene is much the* same, with continued rundown planned (though this is normal at this early stage in a recovery). Reported comments from industrialists underline the point: they are enjoying stronger orders at the moment, but waiting for confirmation of the trend before they think of hiring any more workers.

Finally, the undoubted, if still tentative, recovery in manufacturing must be set against the weakest picture in the service economy for more than two decades. Service income and employment have underpinned demand even in the depths of the recessions of the 1970s and 1980s; but now, for the first time, service employment is actually shrinking, if only by a little. It is small wonder, then, that the attention of the markets is focused on the employment figures at the end of this week rather than on the unexpected buoyancy of manufacturing. With inflationary pressures still weakening (also confirmed in the NAPM survey), the Federal Reserve (where even the monetarists are now pressing for expansion) may well conclude that the recovery is not yet robust enough to be self-sustaining. The question which still hangs over the economy is that repeatedly raised by the Fed chairman, Mr Alan Greenspan: how much vigour can be expected in the real economy as long as it remains financially sickly?

Julian Ozanne on the mounting political tension in Zaire

Mobutu's end game

President Mobutu

In Kinshasa's bustling open-air central market the paint is beginning to peel off the opulent murals of Zaire's President *Mobutu Sese Seko, dressed in* his gold-braided marshal's uniform. Market women in brightly coloured traditional cloth still ply their wares – from smoked chimpanzee brains to crocodile claws. But as prices spiral and the economy heads into a deepening crisis, Mr Mobutu's image among his impoverished people is increasingly tarnished.

Mr Mobutu is cornered on two sides: first, he has been abandoned by his traditional western allies – the US and Belgium, the former colonial power – which have become embarrassed at the president's human rights abuses. Second, he is confronted by the economic legacy of years of mismanagement and embezzlement. Mr Mobutu is rapidly losing his grip on the country he has ruled as a personal fiefdom for 26 years.

Hyperinflation, devaluation of the currency by 80 per cent since the beginning of this year, uncontrolled government expenditure, an unserviceable $9bn-$10bn external debt and hand-to-mouth economic policy-making have together created a bedrock of mass support for pro-democracy opposition groups, legalised by the president under pressure in April last year. Attempts by the Mouvement Populaire de la Révolution (MPR) – the ruling party – to manipulate and distort a national round-table conference on Zaire's political and constitutional future have exacerbated tensions. The conference was to have been held last spring but the MPR delayed its start three times. Its future looks uncertain.

Demonstrations, strikes and riots this year revealed the potential for confrontation between the democrats and the president. Tensions intensified this week as at least one person was killed in demonstrations in Kinshasa and government offices were closed by a civil service-led strike. Discontent has spread into the poorly paid armed forces and senior members of the ruling party are deserting the president in droves.

"A year ago, after his speech, Mobutu had the ability to manage the transition to democracy *and still remain as* president," said one Zairean who until last year was among Mr Mobutu's closest advisers. "Now he is finished. Nobody believes the president any more."

Leaders of opposition parties fear an explosion. "If the president continues to stop the march towards democracy *there could be violence either* from the side of the army or from the masses who are fed up and want change," said Mr Jean Nguz a Karl-I-Bond, president of the Union of Federalists and Independent Republicans (UFERI), one of the five main opposition groups. "That could lead to mass bloodshed and civil war."

The regional implications of that kind of eruption in Africa's second largest country, which sits at the heart of the continent, borders 11 other states and has a population of 35m, are of mounting concern to western diplomats in Kinshasa, the capital.

Since seizing power in a military coup in 1965, Mr Mobutu, then a 35-year-old lieutenant-general, has weathered invasions and secessionist rebellions, coup attempts and economic crises. He has shown a remarkable ability to win over and co-opt his most vocal opponents and hold together a country five times the size of France with more than 200 ethnic groups. He has shrewdly manipulated the west in general and the US in particular into supporting his dictatorship as a necessary bastion of anti-communism in the region.

For years the west turned a blind eye to Mr Mobutu's violations of human rights and his corruption, granting loans on a non-commercial basis and giving military assistance to his government as the price for stability in central Africa. The west also used Zaire as a conduit for arms to the right-wing Unita rebels fighting the Sovi*et-backed government in neigh*bouring Angola.

Now, following criticism by Belgium of the shooting of at least 78 students in Lubumbashi last year, all economic ties with Brussels have been severed. The US administration, under pressure from Congress, has also cut off military assistance and wound down *economic aid; with this year's* Angolan peace settlement, it has no further geopolitical interest in shoring up Mr Mobutu.

At home, Mr Mobutu, once known to his people as "the guide" and "the all-powerful warrior", is now openly insulted as a "thief" and "dictator". Zaire's free-wheeling and proliferating newspapers carry cartoons of Mr Mobutu in his trademark leopard-skin hat portraying him as a frenzied maniac trying to blow up the country.

The symbols of his once powerful personality cult – the lapel badges with his portrait and Mao-style attire – have been dumped. "Mobutu always based his power on a myth of power which instilled fear," said Mr Etienne Tshisekedi, president of the main opposition Union for Democracy and Social Progress (UDPS). "Now Mobutu is demystified and nobody is afraid any more. He has no credibility. Everybody wants change. It is over."

Mr Mobutu has not encouraged confidence by taking up residence on a refurbished Belgian colonial riverboat, apparently on the strict advice of a *marabout* – a traditional spiri*tual guide. The boat, fitted out* with luxurious banquet rooms and a helicopter pad, is usually moored at Nsele, 40km from Kinshasa and within striking distance of the Congo.

In the capital, the continued stalling and manoeuvring over the national conference has created growing tension. The leading opposition parties and *hundreds of non-aligned* delegates have boycotted the conference, alleging the MPR was packing the conference hall with bogus delegates and members of the security forces. "We are determined to get the conference we need to have real political change," said Mr Marcel Lihau, a former detainee and leader of the UDPS. "If Mobutu refuses to accept this we will bring the country to a halt."

This week's strike call marks the start of a campaign of more *direct action. And while most* opposition figures are reluctant to call for full-scale street protests which they will be unable to control, continued economic disintegration could aggravate the unrest.

It is estimated that inflation will have topped an annual rate of 1,500 per cent by the end of this year. Prices for basic commodities like rice and cassava are rising *daily* and many Zaireans have seen their purchasing power eroded by more than 80 per cent in real terms in the past five months.

Inflation is also being driven by excessive government spending, particularly on wages. Billions of zaires were printed to finance a budget deficit estimated to be headed towards 11 per cent of gross domestic product this year. Declining foreign exchange earnings from falling production of copper, the country's number one export earner, combined with a sharp cut in foreign assistance, has compounded the crisis. The government has also failed to pay back at least $400m of its $9bn-$10bn external debt to western creditors.

Mr Mobutu is personally blamed for much of the economic crisis which has turned one of Africa's potentially richest countries, with large deposits of copper, cobalt, tin, gold and diamonds and vast tracts *of arable land into one of* Africa's poorest countries. Nationalisation and grandiose *projects in the 1970s, combined* with rising fuel costs and declining prices for copper, first knocked the economy off track in 1973-74 after a decade of 5-6 per cent growth a year.

Repeated efforts at economic reform have been half-hearted. Last year the World Bank and International Monetary Fund suspended their support for a *structural adjustment pro*gramme which aimed to cut the budget deficit by reducing government expenditure; boost exports and instil fiscal discipline; liberalise the exchange rate; reallocate priorities to investment in infrastructure. Per capita income has declined sharply from $360 in 1985 to $200 a year in 1990. The one *constant in the economy has* been corruption and conspicuous consumption.

Billions of dollars of foreign exchange have been diverted from state companies to personal bank accounts abroad. Over-priced contracts have been awarded to politically connected businessmen. Secret shipments of cobalt and dia*monds have been smuggled out* of the country. The president himself is reported to be worth several billion dollars in bank accounts and property which includes several European chateaux.

As Zaireans slip further into poverty, resentment against the president grows. There is still, just, a chance for rela*tively peaceful political transi*tion in Zaire if a free and democratic national conference is allowed to go ahead and if Mr Mobutu is prepared to abide by the conference decisions – which could include stepping down. But with every day that he dithers about granting real political concessions, the danger grows of a showdown.

BOOK REVIEW

Killing time on the auto line

RIVETHEAD: TALES FROM THE ASSEMBLY LINE
By Ben Hamper
Warner Books $19.95 234 pages

Listen to the voice of Ben Hamper, auto factory worker extraordinaire, as he describes the slow mental disintegration of a colleague on the assembly line: "The nights rolled on. I'd lean across from the guy and watch the sweat pour off his chin. And, somewhere in this factory town, I could see his wife curled up on a sofabed awaiting the return of her reclaimed assembly man.

"It wasn't hard to visualise *just how she might shudder* when the door flew open each night and in trudged this chewed-up mutation of a football star who, once upon a time, looked awful drooly pastin' petals on the prom float, but now, staring back at her from the other side of the meat grinder, resembled nothing more than a heap of defeat with the limbs attached."

Rivethead, Hamper's autobiographical account of his nine years on the assembly line at a General Motors plant at Flint, Michigan, establishes him as an unusual individual – a blue-collar worker with powerful literary abilities, able to communicate the dreadful tedium of his job in vivid and entertaining prose.

Hamper is already a minor celebrity in the US, thanks to a column, entitled "Impressions of a Rivethead", which he used to write in an alternative Michigan newspaper. The paper was edited by Michael Moore, Hamper's literary mentor, who went on to direct "Roger and Me", an extremely funny but profoundly one-sided documentary film attacking GM for closing many of its Flint plants.

Hamper's book is also extremely funny – although the humour repeatedly descends into sniggering puerility – and it is extremely one-sided. It portrays GM's management as remote and incompetent, while the assembly line is a *haze of* drink, drugs, rock'n'roll and work avoidance scams.

Literary exposés of the drudgery of factory life are hardly new. But most have been written either by middle-class voyeurs or members of the working class who have got education and got out. As a result, they have tended to *invest the toiling masses with* an unreal, saccharine nobility.

This is quite lacking in Rivethead. Hamper is a genuine, beer-swilling, work-shy member of a family which has provided GM with three generations of factory fodder. His swagger is irritating, his language is often crude, and his world view is little broader *than the bottom of a beerglass.* But he is a good storyteller.

He never intended to join GM. He set his mind firmly against it at the age of seven when he first entered an auto factory and watched his father at work, installing windscreens. "We stood there for 40 minutes or so, a miniature lifetime, and the pattern never changed. Car, windshield. Car, windshield. Drudgery piled atop drudgery. Cigarette to cigarette. Decades rolling through the rafters ..."

But Hamper son never had the energy to find an alterna*tive career and instead took up* his birthright as a GM "shoprat", or factory worker, where he learnt to cope with the problem afflicting all those on the assembly line: how to kill time. The clock, he writes, "sucked on you as you awaited the next job. It ridiculed you each time you'd take a peek. The more irritated you became the slower it moved. The slower it moved, the more you thought. Thinking was a very slow death at times."

Tactics to kill time included boozing, chain-smoking, practical jokes, spitting contests and races to the water-fountain. Hamper found he was so underemployed in most of his jobs that he could handle a colleague's work as well. Carried to its ultimate refinement, this scam allowed both men to cut their working day in half.

This is one of many indictments of GM's management methods. Hamper also maintains that, for all their fine words, senior officials rarely appeared on the plant floor. He describes some hilariously wrong-headed attempts to improve *quality, including the* creation of a plant mascot, a huge cat with the unsubtle name of Howie Makem, which used to prowl the plant floor and get pelted with rivets for its troubles.

But then Hamper himself was hardly a model company man. His view of GM's periodic pep talks: "Why would any of *us give a shit about the specif*ics of the great master plan? We knew what holes our screws went in. That was truth enough. Point us towards our air guns and welders and drill presses and save all the particulars for the antheads in the smocks and bifocals."

Much has changed in the US motor industry since Hamper *left it five years ago. Detroit* has started to embrace the more efficient, and usually more humane, "lean" production methods pioneered by the Japanese.

But the assembly line is still central to motor manufacturing around the world, and so too is its dehumanising effect on the workforce. In the end, it even *got to the self-assured* Hamper, or perhaps it was all that booze: he was invalided out of GM in 1986 after a series of panic attacks.

He is still in psychotherapy and still taking medication as he tries to make a living as a writer.

Martin Dickson

OBSERVER

Home truths from abroad

■ Does Britain have an Italian to thank for the half-point cut in interest rates? Only last week Chancellor Norman Lamont and family were spotted in the garden of the Trattoria Meati near Lucca in Tuscany, enjoying a rustic repast of pasta, wine and fillet steak.

Chomping on a long cigar afterwards, he chatted to chef and owner Signor Petri who introduced Lamont to his son. The young man promptly revealed himself as the owner *of an export company in Scot*land. It was hard-pressed to make ends meet, he declared, "because the British economy is in such a mess, and has been so badly managed."

Whereupon a UK diplomat in attendance on the party snootily asked Petri junior if he knew whom he was talking to. "Yes sir," came the answer, "but I cannot tell a lie."

As the Tuscan George Washington returned to the kitchen, Lamont was seen thoughtfully pouring himself another glass of wine.

Steel Frame

■ If Sir Alastair Frame isn't careful he is going to get the same sort of reputation as Sir Roland Smith – a professional collector of top jobs. Clearly, he is now ranked up there with the great and the good, and the fact that he was not able to salvage Davy from the breaker's yard has not been held against him.

Frame is one of a fairly small group of senior business figures – Sir John Cuckney is another – who can be relied upon to care for the national interest besides the bottom line. That is probably why he has been handed British Steel's non-executive chair to go with the one at Wellcome.

When with RTZ, where he really made his reputation, he was the high-level contact man while Sir Derek Birkin wielded the hatchet. They made a good pair.

But by comparison with RTZ in 1985 when he inherited its chairmanship from Barclays' Sir Anthony Tuke, Wellcome and British Steel are in far better shape. Hence gauging his steel stewardship will be that much harder... unless, heaven forbid, things go badly wrong.

Crop out

■ *Meanwhile, it may be that* the government sees the economic climate turning from freeze to hothouse. Far from settling for a further pruning of base rates, it has axed VAT completely from citrus trees bearing edible fruit.

That surely invites a free-spending bonanza by all Britain's growers of lemons, limes, oranges, tangerines, grapefruit, citrons and such.

Selling points

■ A couple of announcements yesterday underscored the old adage that investment products are sold, not bought. BAT Industries hired a man from Mars to resuscitate its Allied Dunbar life assurance operations, and the Fidelity unit trust empire declared it was invading the fuddy-duddy world of investment trusts.

Not so long ago both events would have been almost unthinkable.

In little over a decade Fidelity has come from nowhere to fifth in the unit trust industry, and is now intent on rising likewise in another investment sector where some still think marketing a dirty word. Interestingly, it was Fidelity's marketing skills, not its investment genius, which were trumpeted at yesterday's presentation. Alas Fidelity's investment star Anthony Bolton, presumably preoccupied with improving its recent lacklustre record, didn't turn up.

Over at Allied Dunbar, the problems are not much different. With the defection of Sir Mark Weinberg and several of his men, Mars's George Greener has been given the job of ensuring that Allied Dunbar's life assurance customers don't go away too.

Greener's marketing skills *and ability to motivate the* UK's biggest army of life assurance salesman will determine if BATS has chosen right – for its shareholders that is.

"How will you vote if Major reinstates human rights in China?"

Market wake

■ There was a breathless hush by the close of the Tokyo stock exchange. Traders stood awed as speculative stocks rose and fell higgledy-piggledy following the death of Susumu Ishii, head of the Inagawakai crime syndicate, Japan's second largest.

Known as the Zaitech Yakuza, or "financial engineering gangster", Ishii had a brain tumour. The various stock scandals in which he was a central figure include Nomura Securities' alleged manipulation of railway company Tokyu's share price in his interests.

The reason for the hectic speculative trading after his death is also a matter of speculation.

Some onlookers suspect his friends were leading the activity as a gesture of commemoration, taking their cue from the custom of commemorating new stocks by heavy trading. But the more cynical think speculative cabals, relieved by Ishii's death from fears he would implicate them by confessing, have simply resumed their *habitual ramping.*

Miss-ile

■ Heap big trouble for the US Navy. Four times in the past few years it has had to go cap in hand to civilian property-owners and ask if it can have its Tomahawk back.

In the latest instance, a Tomahawk missile fired from the cruiser San Jacinto in the Gulf of Mexico was supposed to return gently by parachute to the 720 square mile Elgin air base in Florida. It fell in private, and fortunately uninhabited, woodland in Alabama 100 miles away.

Three other Tomahawks have similarly flown off the *handle since Elgin began test*ing in 1985, also making lucky landings in unpopulated areas.

The odd thing is that the missiles were supremely accurate during the Gulf war. Or so we were told, anyway.

Many a slip

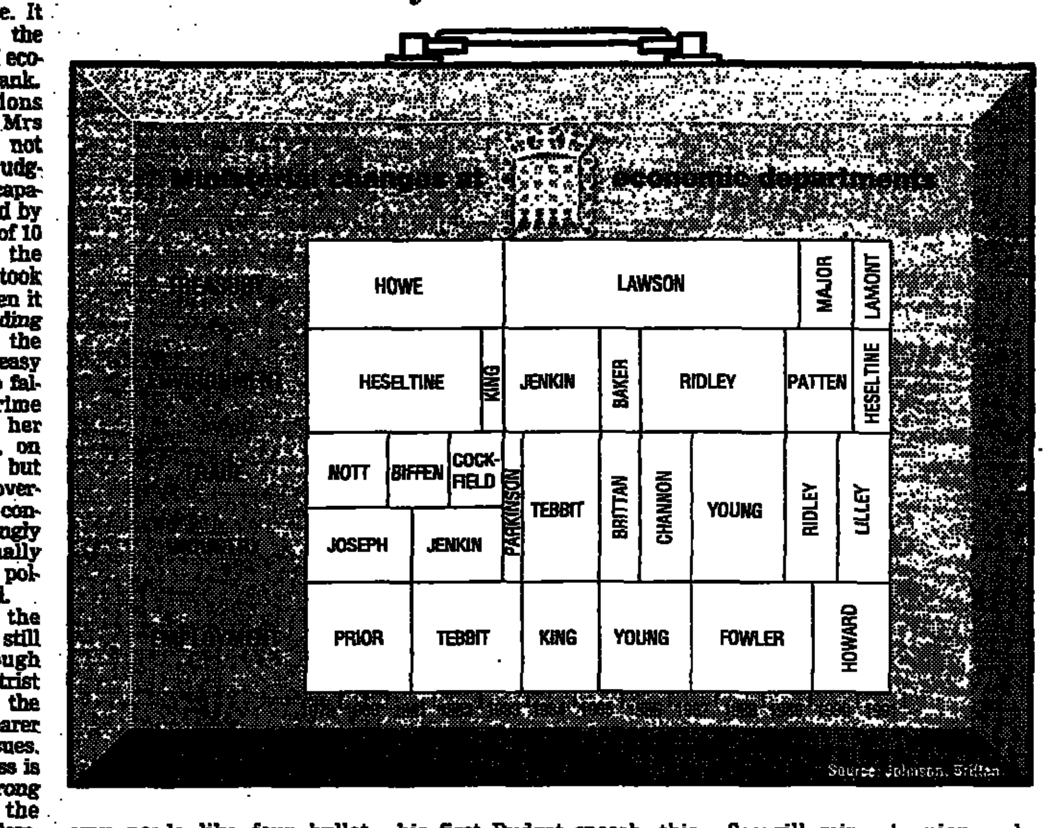
■ It was a case of ins and outs at *Britain's TUC conference* in Glasgow. As union bosses inside the debating hall thundered support for the Labour party's pledge of a minimum hourly wage of £3.40, many spiel-wearied delegates slipped out for refreshing cups of tea.

They were poured by staff employed by caterers Compass Services at £2.30 an hour.

ECONOMIC VIEWPOINT

A clubland view of Thatcherism

By Samuel Brittan



In writing about a period as long and complex as the British economy in the Thatcher period the first need is to tell what occurred in a coherent framework, so it is not just event after event.

Thus the first thing I did when I received Christopher Johnson's book on the subject[1], was to look at the charts and tables. My initial reaction was enthusiastic. In their comprehensiveness and articulation they far outshine those, for instance, in Andrew Britton's weightier book[2] which I discussed in Economic Viewpoint on July 27. Yet Johnson's book is one-fifth the price. It was compiled just before the author stopped being chief economic adviser to Lloyds Bank.

The political conclusions also start well. Even Mrs Thatcher's energies were not sufficient to replace the "judgment and action of which capable ministers were deprived by the quasi-presidential rule of 10 Downing Street . . . When the game was going well she took most of the credit, but when it was going badly the offending player was dropped from the team". But beyond these easy points, his touch begins to falter. He criticises the prime minister for overruling her chancellor, Nigel Lawson, on the ERM and the poll tax, but says that she should have overruled him on "monetary control" – which quite wrongly assumes that she personally wanted a tighter monetary policy than her chancellor did.

Looking further into the book, my cheers became still more muffled. For although written from the same centrist point of view as Britton's, the latter's account is far clearer on the key analytical issues. Johnson's greatest weakness is what he takes to be his strong point: his reliance on the reports of the House of Commons Treasury Committee which he advised. "It would be tedious if not improper," he writes, "for me to specify which of the quotes was a direct result of my advice" (nudge, nudge).

While the committee has performed a great service in eliciting official explanations and analyses which could never have been delivered on the floor of the House, its own attempts to make strictures which MPs of different parties could sign, have been highly obscurantist. Instead of criticising chancellors for relying too much – despite their disclaimers – on Treasury forecasts, the committee wants to give them an even larger place. A key recent recommendation is that there should be four published official forecasts per annum instead of two: an innovation which the British economy needs like four bullet holes in its own head.

The committee has stuck to the post-war Crippsian view of the balance of payments problem. It has gone with the herd in banging the drum for manu-

Johnson's greatest weakness is his reliance on the Treasury Committee which he advised

facturing instead of educating political opinion in the equal marginal value of all sectors under a proper pricing system. Johnson, like the committee, thinks the government erred in not making more use of *short-term variations in fiscal* policy, although as Sir Geoffrey Howe rightly remarked in his first Budget speech, this kind of policy had been tested to destruction in Britain above all other countries. There are the usual clichés about the supposed excessive tax-cutting stimuli provided by Lawson, even though the tax burden moved within a narrow range on either side of 38 per cent of gross domestic product during his whole period at No 11.

Johnson's final verdict is a almost a caricature of centrism. There were, he says seven clearly successful policy outcomes (including labour productivity and union reform), seven clearly unsuccessful ones (for instance, unemployment and monetary targets) and seven mixed outcomes (among them growth and inflation). Nevertheless, the body of the book is relent*lessly adversary; and the* author fails to grasp the wider meaning of the defeat of the Scargill miners' union and, later, of the printing unions. His ultimate criticism of both Thatcher and Lawson is for not deferring enough to the "institutions of the country" including the Civil Service and the

Incomes policy bought a respite, but when it exploded, the establishment's cupboard was bare

National Economic Development Council.

Unfortunately the author has not realised, or has forgotten, how demoralised the Reform Club economic establishment was in the 1970s and *how impossible it was to follow* its advice even if a minister wanted to – as Denis Healey found out before the change of *government. Unemployment* was pointing policy in one direction and inflation (for which sterling was sometimes a proxy) was pointing in the opposite one, according to the rules of the post-war consensus. Incomes policy may have bought a few years' partial respite. But when that exploded the establishment's cupboard was bare, as Andrew Britton concedes.

From this failure of perception, most of the more detailed faults of the book follow. Mr Johnson *makes his task* unnecessarily difficult by following the Treasury Committee in its exclusive preoccupation with the most technocratic aspects *of monetarism without coming* face to face with its direct challenge to the government's ability to spend its way into target levels of activity and employment. Thus he fails to see the point of Nominal GDP and related measures. These are not a mistaken endeavour to add together output and prices, like apples and pears, but are *an attempt to influence* demand in cash terms – which is all that the central authorities can do with monetary and fiscal weapons.

Unfortunately the worst and most muddled chapter is the first, on economic growth. This contains the only tendentious chart in the book, which is again the first one. This shows a single *trend of output* from 1969 to 1989, with output far below trend during most of the 1980s and not even exceeding it in the boom at the end. This view is inconsistent with the author's, now conventional, criticism of the government for overstimulating demand at the end of the 1980s.

Johnson frequently jumps *between growth in the sense of* the underlying trend of output of which the economy is capable, and growth in the short-term sense of variations which occur in boom and slump. There are silly debating points made by contrasting the government's claim that it could not control growth in the first sense by demand management, and quotations from the Budget Red Books which were attempts by Treasury economists to forecast short-term variations, which clearly are demand-determined.

If an economic teenager wanted some adult reading, I would advise him to look at Johnson's graphics and Britton's text – but then write his own essay on why neither does justice to the changes for which Mrs Thatcher was, for all her faults, the catalyst.

1 *The Economy Under Mrs Thatcher, Penguin, £5.99.*

2 *Macroeconomic Policy in Britain 1974-87, Cambridge, £30.*

Behind the propaganda, China's leaders are anxiously watching Moscow, writes **Philip Stephens**

Still stuck fast in communist cement

Mao stares down impassively from the edge of Tiananmen Square. Next month, on national day, his portrait will be flanked by those of Marx *and Lenin.*

There has been no jubilant smashing of communist icons in Beijing. Instead, the soldiers of the People's Liberation Army, goose-stepping across the square in their drab, olive-green uniforms, offer a grim reminder of the bloody suppression two years ago of China's hopes of democracy.

Communism may have vanished in eastern Europe and collapsed last month in the Soviet Union. But in the world's most populous nation a concoction known as Marxist-Leninism-Mao Zedong Thought still guides the destiny of more than 1bn people. Freedom of speech, even of thought, are proscribed; but in the economy *markets are gradually winning* the battle against ideology.

For an observer arriving in Beijing after a day in the spiritually vibrant but physically bleak streets of Moscow, this strange blend of political authoritarianism and economic liberalism produces a jarring collision of images.

The repression is there in *the video cameras around* Tiananmen which deter local citizens from any casual, tainting, encounter with western visitors. It leaps out from the bland propaganda of the official China Daily as it reports the soothing words of a prison governor as proof that political detainees are well-treated.

An attempt to venture through the towering stone walls which enclose Beijing university is met with a curt rebuff by the surly guards stationed at every gate. The students, the vanguard of the pro-democracy movement in 1989, must be isolated from western sympathisers.

But then there are the cars – shiny 1980s models, not the tatty antiques which rattle around Moscow. In Beijing, Peugeots, Volkswagens and Mercedes jockey for the rapidly-diminishing space on the *impressive ringroads.*

The shops are full. On Nan Chi Zi, a nondescript street of single-storey houses near the centre of town the pavement stalls are stacked high with vegetables and fruit. They are privately grown and privately sold. "It is always like this," *our interpreter told us.* "There is no need to queue".

Along Hai Dian street, on the edge of the university campus, young entrepreneurs have set up electronic and computer stores in what has become known as Beijing's version of Silicon Valley. Many were closed down in late 1989, their owners branded capitalist allies of the rebellious students. But China needs the technology. Now they seem to be thriving again.

This week Mr John Major, the visiting British prime minister, told the country's leaders that their precarious balancing act was not sustainable. They could not, he said, shelter indefinitely from the storm of *political change which had* wiped out communism in the west. His hosts, Premier Li Peng, President Yang Shangkun, party general secretary Jiang Zemin – the godfathers of Tiananmen Square – intend to do just that.

'Stability' was the word that surfaced repeatedly during the two days of talks

At a banquet on Monday marking the start of the visit, Li Peng sought to dismiss at the outset the inevitable parallels being drawn with events in Moscow. There were deep cultural and social differences; the people of China valued above all stability. The present system delivered prosperity in a nation where the overriding human right was that to food. China wanted stability.

Stability. It was a word which British officials said surfaced again and again in the two days of talks. It is the one that has been the most prominent in the sparse reporting of the the abortive Soviet coup in China's state-run media.

The moral being drawn in newspaper editorials and in an intensified programme of party gatherings in schools and factories is that to forsake communism would be to plunge China into the chaos now engulfing the Soviet Union. Communism is the nation's *cement.*

It is an argument that even some supporters of the pro-democracy movement admit has resonance with many Chinese. A young opponent of the regime – no-one who voices opposition can be identified more specifically – says that his conviction that political freedom is inevitable is tempered by a preference for steady over revolutionary change. Free-thinking intellectuals were jealous of the hectic uprooting of communism in eastern Europe but their numbers were still small.

Yet for all the public certainty of Li Peng and his octogenarian mentors, there were hints of a nervous edge in the *meetings with the British.*

Mr Major's blunt and uncompromising condemnation of political detentions and religious persecution against the advice of his ever-cautious foreign advisers – was met for a while with a ritual recital of Britain's inglorious role in the 19th century opium wars. But the response from the Chinese had *little of the angry indignation* of previous such exchanges. By yesterday Beijing was ready to announce that a detainee from Hong Kong will be freed. Mr Major looked the winner.

Both he and Mr Douglas Hurd, the foreign secretary, fresh from their talks in Moscow, were struck also by the insatiable appetite of their hosts to hear Britain's assessment of what is happening in the Soviet Union. If China's rulers insist that disintegration of a communist superpower has few implications for their own grip on power, they appear insecure enough to want to chart every twist and turn in the most precise detail.

It may be that they too are beginning to wonder if the march of history is against them. As Mr Major ended his visit yesterday with a walk along the nation's most star*tling monument, the Great* Wall was shrouded in mist. So too seemed China's future.

LETTERS

Smugness at capitalism's triumph

From Mr Andrew Phillips.

Sir, When I saw your leader ("Death of the god that failed", September 2) I thought your admirable breadth of interest had embraced the most ignored and elusive aspect of our own cultural predicament.

I was disappointed. Your analysis was a re-run of the cosy view now dominant in the west, namely that the collapse of Bolshevism represents, as your subsidiary headline put it, "capitalism's triumph".

If that is true in one sense, it is untrue in others. The amorality of which you rightly convict Soviet communism is increasingly a feature of international capitalism, particularly in the financial sector (as current headlines should remind us).

Furthermore, the key to the relative success of our own liberal democracy was that it used not to get the cart before the horse. It was rooted in the belief that an economy is the fruit of a culture, rather than the reverse. It is hard to imagine the next Conservative manifesto, for example, being couched in terms of the party's 1949 policy statement which *trumpeted* "the inability of purely materialist philosophies to read the riddle of life and achieve the necessary subordination of economic progress to the needs of the human spirit".

We do indeed have some grounds for proper pride (though it increasingly comes across as smugness) in the face of the happenings behind the old Iron Curtain. However, the other face of our reality is that the seeds of the slow degradation of our own culture are already bearing their deadly fruit, and unless we reinvest heavily in the wellsprings of the moral values of our whole society – including the economic expression of it – you will need to rewrite your editorial sooner than you think.

Andrew Phillips,
61 Charterhouse Street,
London EC1.

Change to US-style report format overdue

From Mr Peter Molony.

Sir, You reported ("Institutions urge fuller financial information," September 2) that the National Association of Pension Funds is asking the Accounting Standards Council (ASC) to consider a new reporting format similar to the IOK Report required in the US.

A concept of this kind is long overdue.

The concept is the punctual filing, in a standardised for*mat, of a wide range of impor*tant financial information. One effect would be to take the strain off the annual report to shareholders (which is overburdened with a history of accounting rules and is quite unsuitable for detailed disclosure).

Disclosure standards in the UK are too slight and too slow. The ASC would be performing a public benefit if they lobbied the legislators for this sea-change in the UK's reporting system. It is not necessary to install a Securities and Exchange Commission simply to compel tougher reporting requirements.

Peter Molony,
1 Eaton Place,
London

Keep fee disclosure rules as now

From Mr D P McErlain.

Sir, Your article onthe Bank of England's call for disclosure of fees to merger advisers (September 3) was of great interest to me in view of Anglo United's successful bid in August 1989 for Coalite. In our bid Anglo, with a market capitalisation of about £60m, borrowed almost £500m to win one of the largest leveraged bids mounted in the UK. It did not need a genius to know that the fees paid to our advisors were success-related wherever possible.

My view was (and still remains) that the fees are of absolutely no interest to the target company but potentially useful to them in distracting arguments from the industrial and financial logic of our bid in favour of attacks on our adviser reward structure. We have been encouraged to reward success at all levels and if an adviser is prepared to *accept a contingent fee then it* is good for all parties in the event of either success or failure of a bid.

As far as our shareholders were concerned I was able to say that the costs of the bid were not going to affect Anglo in the event of failure, a vital point when asking shareholders to increase borrowing powers to *£500m.*

So who loses? The Coalite shareholders gained materially from our bid, and our own shareholders have seen their company grow substantially. All the advisers retained by us during the bid are still with us. I believe the system of non-disclosure at the time of the bid should be left exactly as it is. *Please let us not hinder take*overs and the willingness of an adviser to share risk.

D P McErlain,
chairman,
Anglo United.

Rude pointer to end of recession

From Mr R P Baber.

Sir, The recession is over. Having dined out on Saturday night, I discovered waiters have resumed their usual rudeness and lack of care for their customers.

R P Baber,
1 Dorrit Way,
Chislehurst,
Kent.

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution

Mendacious economic forecasts designed to hoodwink the public

From Mr A Rubner.

Sir, I have a vested interest in your leader of August 31 ("Forecasters flying blind") as I am completing a book on mendacious predictions.

Not even cynics seek to dis*pense with the preparation of* forecasts by the Treasury. However, there is opposition to the calamitous 1975 Act which compels the chancellor to publish them.

The memoirs of politicians and prominent economists intimate that misleading governmental forecasts have been broadcast. The culprits, motivated by altruism, have set out deliberately to hoodwink the public.

Despite widespread scepticism, governmental forecasts in the west almost invariably enjoy sufficient credibility to generate a backlash and thus alter the outcome of events. *Hence, it is argued, predictions* ought not to be judged by their accuracy. What really matters is whether the contrived feedback changes behaviour in the intended direction.

One hoped that you, sir, would condemn those schemers who treat forecasts as "tools of economic control" but in fact you are approving of their machinations. You warn that, unless the Treasury can continue to publish its forecasts, "the opportunity to influence expectations would also be thrown away". If this means what it appears to mean, it is an ignoble notion.

Alex Rubner
49 Cholmley Gardens,
Hillfield Road,
London NW6.

One not so cautious brother

From M. Tami.

Sir, I read with amazement John Willman's glowing adulation of Campbell Christie, general secretary of the Scottish TUC ("Brothers take cautious approach, September 3).

In his article Mr Willman obviously forgot to inform us of Mr Christie's recent comments on the events in the Soviet Union. Far from condemning the abortive seizure of power, Mr Christie "insisted that Mr Yanayev's appointment indicated a broad-based step" (Morning Star, August 20). Mr Christie, who apparently has met Mr Yanayev on a dozen occasions, went further: "His role in the removal of Mr Gorbachev from office indicates that the present situation in the Soviet Union is complex to say the least . . . There is certainly a dilemma for unions there because the reforms have led to rising unemployment, *prices and food shortages."*

Mr Willis may be far from perfect but at least he supports democratic principles.

M. Tami,
6 London Lane,
Bromley,
Kent

FINANCIAL TIMES
Thursday September 5 1991

Andriessen says the Community's institutional structure will have to change

EC told to be ready for enlargement

By David Buchan in Brussels

CHANGES in east Europe increase the need for the European Community to prepare for a possible doubling of its current membership by "deepening" its integration and adapting its institutions, Mr Frans Andriessen, EC external affairs commissioner, said yesterday.

"It is quite clear that the present institutional structure of the EC is not conceived for a Community of 24 members or more", he said. Taking decisions by unanimity in a Council with 24 ministers would be impossible, while an EC executive with 30 commissioners or a European parliament with 1,200 deputies would be equally unthinkable.

Mr Andriessen was commenting on the implications of a series of proposals that the Commission decided yesterday to put to EC foreign ministers tomorrow.

These will include a request that EC governments agree to a radical improvement in market access for food, textile and coal imports from Poland, Hungary and Czechoslovakia. Complaints about EC protectionism from those countries have held up negotiations on their association accords with the EC.

The association agreements, paving the way for free trade, and recording the aspirations of individual east European countries to join the EC one day, should be extended to Romania and Bulgaria, the Commission decided yesterday. Preliminary trade talks will also be held which could eventually give similar status to Albania and the three Baltic states.

The proposals would put five east European countries on the road to eventual EC membership, as well as starting trade and aid negotiations

The commissioner said he regretted that, in negotiations on political union, the Twelve were ignoring the enlargement issue, although there was a chance they might consider it at their special summit – in early October – on the Soviet Union and eastern Europe. "Ideally, we should change the [Community's] institutional structure first, and then tackle enlargement. Now we shall have to do both together."

Behind Mr Andriessen's prediction on EC membership is the assumption that other members of the European Free Trade Association (Efta) will soon follow Austria and Sweden in knocking on Brussels' door, while a further half dozen applications will come from east Europe.

His prescription for matching institutional change would require another inter-governmental conference (IGC) in the mid-1990s.

Mr Andriessen said he would discuss trade and aid with Baltic governments in Tallinn next week, and the future of EC aid for the Soviet Union when he travelled to Moscow and Kiev.

Trade concessions, Page 3

Prosecutors pursue Nomura case

By Stefan Wagstyl in Tokyo and Norma Cohen in London

MR Setsuya Tabuchi, former chairman of Nomura Securities, the biggest Japanese stockbroker, yesterday admitted he had been questioned by public prosecutors over his *company's role in financial* scandals.

He told a parliamentary committee that the interview had covered alleged stock manipulation, compensation to clients for losses and links with a gangster group.

The disclosure came amid growing signs that the public *prosecutor's office is trying to* accumulate enough evidence to press charges against Nomura and possibly other securities companies.

It also coincided with a further sign that US institutions are moving to curtail their business with Nomura. The Illinois Municipal Retirement *Fund, a US-based $5bn public* employees pension fund, has abandoned plans to increase the portion of its funds managed by its Nomura Capital Management subsidiary following concern over the scandals.

Illinois also ordered Nomura Capital to cease executing *trades on its behalf* through Nomura Securities, thus depriving the scandal-ridden firm of commission income. However, the fund will not *withdraw the $130m Nomura* is already managing for it.

Last week, the California Public Employees Retirement System, the US's largest public pension fund, also ordered Nomura Capital to cease executing orders through its parent company.

Mr Tabuchi, who resigned *over the scandals*, was *giving* testimony yesterday to a committee of the upper house of the Diet, which is holding hearings after similar sessions by a lower house committee last week. The committee also questioned representatives of Daiwa Securities, Nikko Securities and Yamaichi Securities, *the rest of the country's "Big* Four" brokers.

Mr Tabuchi denied Nomura had broken the law on stock manipulation in its dealings in 1989 in shares of Tokyu Corporation, a railway and property company. However, he admitted, as he has before, that the company went too far in promoting the stock.

Nomura recommended the shares after Mr Susumu Ishii, the chief of a gangster organisation *who died this week*, accumulated a large holding, partly with funds borrowed from affiliates of Nomura and Nikko.

Nikko has also admitted its links with Mr Ishii. Yesterday Mr Takuya Iwasaki, the former president, who also resigned over the scandals, admitted *Nikko had dealt on Mr Ishii's* behalf in buying a large block of shares in another company – Honshu Paper, a leading paper group.

Honshu shares soared last year amid suspicions that a speculative syndicate was trying to corner the stock. Companies controlled by Mr Ishii sub*sequently emerged as large* shareholders.

Mr Tabuchi and his counterparts at the other Big Four brokerages also admitted yesterday that the publicly disclosed lists of compensation paid to clients to cover for trading losses were incomplete. About 20 brokers have disclosed payments made between October 1987 and March 1990.

Yesterday the "Big Four's" representatives confirmed that *payments were made before* October 1987 – the starting-date for the published lists – and did not deny that payments may have been made after March 1990.

The second date is more significant since in December 1989 the Ministry of Finance banned compensation payments. Firm *evidence that the brokers* breached such a firm ministerial order could result in further punishment from the ministry. Paying compensation is not against the law unless it is preceded by a guarantee.

Mr Tabuchi said payments made after March 1990 were now the subject of discussion *between Nomura and the min*istry. Mr Iwasaki, the former president of Nikko, Mr Masahiro Dozen, president of Daiwa, and Mr Tsugio Yukihira, president of Yamaichi, also indicated the matter was under investigation.

Kohl warns on Soviet break-up

Continued from Page 1

must prevail. "*Obviously what* matters is to carry out a whole series of tasks united and in common," he said. "That includes, not least, both external relations and security.

"The armed forces must have a single command. Weapons, and above all nuclear weapons, must also be kept under central control in the future."

He repeated the concern, expressed on Tuesday by Mr Theo Waigel, the German finance minister, that somebody must take responsibility for all the international debts and obligations of the Soviet Union. Mr Waigel's statement was made as a precondition for further Western aid.

Mr Kohl, meanwhile, called for the republics to create a single, free economic space, and called for the immediate development of "a coherent economic programme."

Pointing ahead: Boris Yeltsin and an aide at a deputies meeting. Details, Page 2

Pretoria unveils new policy

Continued from Page 1

development regions.

● The possibility of ratepayers, property owners and lessees enjoying greater voting weight at the municipal level than other residents.

The ANC described the proposals as "no less than an attempt to disguise an effective minority veto, designed to prevent effective government by a majority party."

Mr de Klerk said the purpose of the principles was to dilute "simple majoritarianism" so as to avoid a majority party being able to dominate minorities.

Mr Gerrit Viljoen, minister of constitutional affairs and development, denied that a coalition of minorities would be able to outflank the majority party. The government's thinking will be further elaborated when the Law Commission publishes its Charter of Fundamental Rights, expected soon.

E German unemployment falls for first time since reunification

By Christopher Parkes in Bonn

UNEMPLOYMENT in east Germany last month fell for the first time since reunification.

The numbers out of work fell by 5,400 to 1.06m, leaving the headline jobless total unchanged at 12 per cent of the workforce. However, the number of workers on short time fell 160,000 to 1.45m.

The impact of reunification and industrial restructuring on east German employment has been less damaging than expected. Although some 220,000 people in the new Länder lost their jobs in July, the figure was well below some economists' forecasts. They had expected up to 600,000 job losses during the month, after the end of no-dismissal deals in the metals and chemicals industries.

The government warned in a statement that increases in unemployment in the east were to be expected later in the year.

At the same time, the SPD opposition party warned the government against reading any change into the latest figures. Every day the east lost more jobs than it gained, claimed Mr Rudolf Dressler, its social affairs spokesman.

About 10,000 shipyard workers demonstrated in the Baltic town of Stralsund yesterday against the planned privatisa*tion of the east's shipbuilding* industry because of fears of job losses. Some 700 miners marched through Bonn over similar worries about plans to cut state coal subsidies.

There was a more marked improvement in August jobless figures in west Germany, where the number out of work dropped 140,565 to 1.67m – 5.6 per cent of the workforce, compared with 6.2 per cent a year earlier.

Following a setback in July, when unemployment in the west rose 100,000 after falling steadily for the previouse four months, yesterday's figures prompted cautiously optimistic reactions. Mr Dieter Vogel, a government spokesman, said the figures showed the picture in the labour market overall was "positive".

Mr Heinrich Franke, president of the Federal Labour Office, which assembled the statistics, said: "We are not out of the woods yet," adding that the much-heralded slowdown *in the economic cycle* had yet to make itself felt in the labour market.

● Germany's trade balance remained narrowly in surplus in July but the current account slipped further into the red with a deficit of DM5.8bn ($3.31bn).

Imports during the month jumped 10 per cent to a new high of DM58.7bn, DM3bn more than the previous record set in January this year. Exports rose 9.8 per cent to DM58.9bn and the monthly surplus shrank from DM400m in June to about DM200m. Last July the country had a trade surplus of DM9.9bn.

Major seeks to reassure Hong Kong on Beijing's influence

By Philip Stephens and Angus Foster in Hong Kong

MR John Major, the British Prime Minister, will today seek to reassure Hong Kong's political and business communities that Britain will not make further concessions to China before the colony returns to Chinese sovereignty in 1997.

As he arrived last night, prominent local leaders voiced concern that his agreement earlier this week with China to intensify co-operation over Hong Kong's future handed too *much influence to Beijing.*

In a series of meetings with local businessmen and politicians later today, Mr Major will provide a detailed account of his talks this week with Chinese leaders. He will insist that the memorandum of understanding on the construction of a new international airport will not provide China with a lever to interfere in other decisions before the transfer.

A sign by the Beijing government yesterday that it will release one of four Hong Kong people imprisoned after the crackdown in Tiananmen Square two years ago will allow Mr Major to claim that his tough stance this week on human rights is already yielding results.

It emerged yesterday that the sharp tone of Mr Major's rebuke to Beijing over its jailing of political dissidents and persecution of religious minorities had been against the advice of senior Whitehall officials. But the prospective release of Mr Luo Hai Sing, a Hong Kong businessman jailed for five years in March for allegedly trying to help Chinese dissidents flee the country, appeared to reinforce his determination to maintain a tough line.

Mr Martin Lee, leader of the colony's largest political grouping, said Mr Major's stance on the issue was not enough. "I am glad to see Mr Major stressed human rights, but it is highly ironic he continues to deny democracy and free elections to Hong Kong," he said.

Hong Kong holds its first direct elections next week when 18 out of 60 seats will be elected. Mr Lee, whose party is expected to do well, will call on Britain to uphold its promise to increase the number of directly elected seats before Hong Kong's transfer.

Mr Major marked his arrival with a visit to one of the camps holding Vietnamese boat people and promised to redouble Britain's efforts to end the exodus from Vietnam. He will face tough questioning about Britain's insistence on maintaining Hong Kong as a port of first asylum. More than 60,000 boat people are camped in the colony and most local people want the asylum policy ended.

● China's official news agency yesterday hailed Mr Major's visit as a return to mutual trust between Beijing and London. The New China News Agency said the agreement on building a new $16.3bn airport for Hong Kong would be an assurance of stability and prosperity for the colony.

"The visit by the prime minister indicates that after certain setbacks in bilateral relations over the past two years, the two countries are now willing to enhance contacts, expand consensus, conduct even closer co-operation and rebuild a relationship of mutual trust," the agency said.

THE LEX COLUMN

Only half the story

The Bank of England was at pains to stress that yesterday's base rate cut was a measured response to the decline in inflation. But the uncharacteristic speed with which it was pushed through betrays a political impulse as well. That may help explain why the stock market ended the day marginally lower. Admittedly a cut within the *next month* was already largely discounted. Yet whatever Mr John Major's real intention, a degree of political uncertainty has suddenly entered the investment equation.

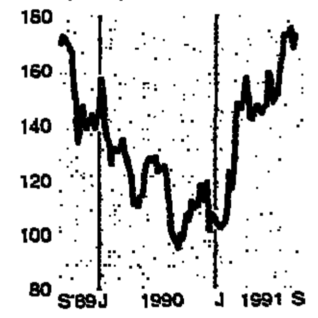
Yesterday's move has not changed expectations for the slightly longer term. In theory, there should be scope for a further cut to 10 per cent around the party conference in early October, but anything more would push UK rates uncomfortably close to those of Germany. Helped by yesterday's mortgage cut, October's inflation figure should be below 3.5 per cent and markedly less than that of Germany. But even low inflation countries like the Netherlands traditionally pay a premium over German rates. A single figure base-rate still looks problematic.

With rates thus now so close to their apparent low, there is increased risk of disappoint*ment if Mr Major* is forced to back away from a November date. Doubts about the Tories' ability to win next year could then quickly pervade the foreign exchange market, which viewed yesterday's developments with equanimity.

FT-SE Index: 2,666.6 (-4.4)

Coats Viyella

Share price (pence)



Source: Datastream

Coats Viyella

Coats has not lost its reputation for spin, which means investors have to be on their guard for the googlies. Much was made yesterday, for example, of the mere 6 per cent dip in like for like first half operating profits, less of the 18 per cent underlying drop at the *pre-tax level when the* exchange rate gain and property sales are taken out and redundancy provisions added back in. Year end gearing counting the euroconvertible as debt is still likely to be uncomfortably high at more than 50 per cent, while the indicative £65m-£70m of gross integration costs to be written off for Tootal will raise the odd eyebrow.

That said, Coats appears to be managing its cash well and is beginning to show tangible benefits from the merger. Fears that market share would be lost in thread look to have been overdone, and the disposal of Slimma to Dewhirst seems like a neat way of heading off Marks and Spencer concerns about the dependence on one supplier. The timing of the recovery is probably the most important consideration for the shares, which at 172p are looking to 1993 profits in the region of £200m, against the £110m-£115m widely anticipated for this year. That may seem a tall order at the moment with US industrial thread and knitwear the only bright spots deemed worth mentioning yesterday. The company and its better balanced management, though, are worth backing for the long term – and when profits do finally start to motor, the unrelieved ACT will give a useful boost to earnings per share.

Hillsdown

The market has been *rather* disdainful of the steady improvement by Hillsdown. Even after yesterday's 4 per cent correction, its shares are barely above their level of six months ago. But the interim figures confirmed that the group has been doing all the right things on the trading front – *strengthening the core* food businesses, reducing borrowings, hinting again at the disposal of furniture and housebuilding once the cycle is more favourable to asset values. Poultry was disappointing, although the fundamentals suggest an improvement in 1992. That apart, the performance of food was impressive, particularly in Canada where Maple Leaf Foods accounted for more than half the processing division's £58m profits. The well-covered increased dividend is a sign of growing confidence among the management.

Still, full-year profits, assuming reasonable Christmas trading, are likely to be little more *than flat* at about £200m. It will be a long haul before Hillsdown's new generation of chickens comes home to roost. The prospective multiple of about 10 is as undemanding as ever, but investors looking for excitement will probably continue to look elsewhere.

Wimpey/Amec

It was a brighter day for contracting and construction shares yesterday, but the interest rate cut apart there was precious little from which to gain comfort. Amec admittedly is less gloomy than some about the future – but then its exposure to the healthy offshore sector was already well known and its generous dividend policy is only appropriate for a company which has tapped investors to the tune of almost £300m in three years. As for Wimpey, there was obvious relief that rights issue rumours were wide of the mark, and that provisions come the year end will not be significant.

Notwithstanding the company's confidence that it can dig itself out of the hole, the process still looks like a long hard slog. The proceeds from Little Britain are not due for another nine months; in the meantime the company will be wanting to replenish its land bank just as those once lucrative contracting cash flows start to turn down. What a pity the non-core businesses were not discovered sooner.

BAT Industries

After the dismal results from Eagle Star a couple of weeks ago there was not much left to shock in BAT Industries interim figures yesterday. But the prospect of an uncovered dividend for the second year running raises the question of when the benefits will finally flow from the reshaping that *followed the Hoylake bid.* Second half earnings will again be dented by provisions at Eagle Star, while Allied Dunbar's remaining sales staff may yet prove restless in spite of all the sweet talking from the new chief executive imported from Mars. Doubtless the shares would have fallen further without the company's commitment to raising dividends faster than inflation. The prospective yield of about 5 per cent still looks skimpy, however, given that the pay-out will have to grow more slowly than earnings to rebuild cover when recovery does finally set in.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	28	82
Algiers	F	30	86
Amsterdam	S	24	75
Athens	F	25	77
Bahrain	S	34	93
Bangkok	-	-	-
Barcelona	S	27	81
Beirut	S	27	81
Belfast	S	21	70
Belgrade	F	25	77
Berlin	S	27	81
Biarritz	S	28	82
Bombay	F	29	84
Bordeaux	S	26	79
Boulogne	S	28	82
Brussels	S	26	79
Budapest	S	24	75
Buenos Aires	-	-	-
Cairo	S	32	90
Cape Town	C	15	58
Caracas	-	-	-
Casablanca	S	28	82
Chicago	S	15	59
Cologne	S	29	84
Copenhagen	C	18	64
Corfu	S	27	81
Dallas	S	22	72
Dublin	F	18	64
Dubrovnik	S	27	81
Edinburgh	S	21	70
Faro	S	25	77
Florence	S	29	84
Frankfurt	S	27	81
Geneva	S	24	75
Gibraltar	C	23	73
Glasgow	S	22	72
Helsinki	F	16	61
Hong Kong	F	31	88
Innsbruck	S	25	77
Inverness	S	23	73
Islamabad	-	-	-
Istanbul	F	19	66
Jakarta	-	-	-
Jersey	S	22	72
Johannesburg	S	23	73
Lima	-	-	-
Lisbon	S	24	75
London	S	24	75
Los Angeles	C	17	63
Luxembourg	S	27	81
Madeira	F	23	73
Madrid	C	26	79
Majorca	F	32	90
Malaga	F	28	82
Malta	F	27	81
Manchester	S	21	70
Manila	-	-	-
Melbourne	C	16	61
Mexico City	-	-	-
Miami	S	26	79
Milan	S	27	81
Montreal	R	20	68
Moscow	F	20	68
Munich	S	24	75
Nairobi	F	25	77
Naples	S	29	84
Nassau	-	-	-
New Delhi	S	32	90
New York	S	21	70
Nice	S	27	81
Nicosia	S	30	86
Oporto	S	23	73
Oslo	S	19	66
Paris	S	29	84
Peking	S	28	82
Prague	S	25	77
Reykjavik	Dr	9	48
Rhodes	S	28	82
Rio de Janeiro	-	-	-
Rome	F	28	82
Salzburg	S	25	77
San Francisco	S	14	57
Seoul	F	22	72
Singapore	F	28	82
Stockholm	F	16	61
Strasbourg	S	27	81
Sydney	S	19	66
Taipei	-	-	-
Tangier	F	26	79
Tel Aviv	S	30	86
Tenerife	S	28	82
Tokyo	S	32	90
Toronto	F	16	61
Tunis	F	31	88
Valencia	F	27	81
Venice	S	27	81
Vienna	S	24	75
Warsaw	S	26	79
Washington	S	32	90
Zurich	S	25	77

Temperatures at midday yesterday C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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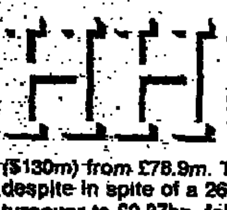
INSIDE

Hillsdown Holdings feels a slight chill



Losses on frozen chickens offset other gains at Hillsdown Holdings, the UK food, furniture and house-building group, where first-half pre-tax profit slipped to £77.6m ($130m) from £78.9m. The decline came despite in spite of a 26 per cent increase in turnover to £2.37bn, following the purchase of a 56 per cent stake in Canada Packers. Page 24

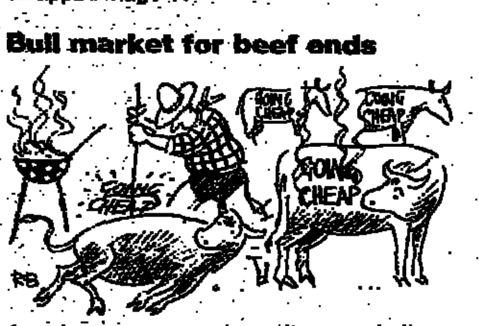
OFT drops Eurobond probe

The Office of Fair Trading has decided not to pursue further its initial "polite enquiries" into new issue syndication practice in the Eurobond market. Page 20

Banks share swap dropped

Commerzbank and Crédit Lyonnais confirmed negotiations over a share swap had been scrapped. Page 16

Bull market for beef ends



American consumers haven't seen a better time to enjoy a fat juicy steak in quite a while. Retail meat prices are at an 18-month low and are expected to fall further. They are following a dramatic downward dive in the wholesale market, which in recent months has witnessed its worst price break since 1982. Thus ends what has been a five-year bull market for the American beef industry. Page 26

Coats cuts its cloth

The first set of results from Coats Viyella, the UK textile group, since the £241m ($404.88m) acquisition of its textile rival Tootal showed a 12 per cent fall in halfway pre-tax profit to £48.1m. Mr Neville Bain (left), who became chief executive a year ago, said the combined group's central overheads were being cut by £8m, including shedding about half the top management from either side. Page 21

T&N result reflects recession

T&N, the UK automotive component and engineering material supplier, reported a 56 per cent fall in interim profits. Page 22

Wimpey aims for a sea-change

George Wimpey, the former west London stonemason which grew to dominate the UK construction industry in the 1950s and 1960s, has embarked on an attempt to reverse a decline in its fortunes. Pages 16 and 24

Senior brightens the gloom

Senior Engineering Group brightened a UK sector engulfed in recessionary gloom when it announced a 7.6 per cent increase in halfway pre-tax profits. Page 23

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch Beg	860	+	14
[illegible]	174	+	6.5
Falls			
Asko Pf	890	-	27
DLW	536	-	9
[illegible]	685.5	-	44.5
Zanders Feinpap	285	-	9
NEW YORK ($)			
Rises			
[illegible]	40	+	2½
Goodyear	40⅝	+	2⅛
Falls			
Browning Ferris	20⅝	-	1⅛
Loral	37¼	-	1¼
[illegible]	11⅞	-	1⅞
Xoma	19¼	-	1¼
PARIS (FFr)			
Rises			
Capa	325	+	11.9
Damart	2000	+	89
Skis Rossignol	741	+	47
Unibail	679	+	35
Falls			
Bancaire Cie	492.8	-	28.1
CGIP	1100	-	45
TOKYO (Yen)			
Rises			
Dai Ichi Kogyo	820	+	100
Iseki	540	+	70
Konica	930	+	78
Kurabo Inds	889	+	74
Marubeni	740	+	60
Toyo Carbon	640	+	60

New York prices as at 12.30.

LONDON (Pence)			
Rises			
[illegible]	218	+	15
Asda Rand A	165	+	11
Gresham Insce	45	+	5
[illegible]	248	+	10
[illegible]	134	+	7
ICI	100	+	5
[illegible]	754	+	8
[illegible]	425	+	10
[illegible]	153	+	14
[illegible]	167	+	13
Pyrso	205	+	12
Premier Cons	40	+	4½
Rainers	134	+	5
Scottish TV	544	+	17
Wimpey (G)	178	+	7
Falls			
Costa	180	-	29
Sotheby's	738	-	37
Taylor Woodrow	205	-	8

Philips hires outsider for key job

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics group, has recruited an American from Hewlett-Packard as head of technology, and replaced the head of its poorly performing consumer electronics division.

The changes, part of a wide-ranging management reorganisation, are the latest stage in Mr Jan Timmer's attempt to shock the company out of years of underperformance. They are the first top-level changes since Mr Timmer assumed the presidency in July 1990.

The appointment of Dr Frank Carrubba, who is head of corporate research and development at Hewlett-Packard, has great symbolic significance. Philips has always prided itself on the strengths of its home-grown technology. Its laboratories played a key role in the invention of the audio cassette, the video cassette recorder and the compact disc. The blame for Philips' failure to capitalise quickly on its breakthroughs has usually been placed on its marketing, rather than its technology.

Dr Carrubba, 54, worked in research and engineering at IBM for 22 years before moving to Hewlett-Packard in the early 1980s. He becomes Philips' executive vice-president responsible for technology.

The transfer of Mr Thierry Meyer, head of the consumer electronics division, to new responsibilities for European affairs reflects Mr Timmer's drive to make executives directly accountable for the profits of the businesses they run. Consumer electronics, the group's largest division, saw its operating results drop by 40 per cent in the first half of 1991.

The new head of consumer electronics is Mr Henk Bodt, already a *member of the group* management committee, who will retain responsibility for the company's computer chips activities. Mr Alain Lévy, a Frenchman who is president of Philips' 80 per cent-owned recorded music subsidiary PolyGram, also joins the board. Like Dr Carrubba, he succeeds an executive who is approaching retirement.

The appointment of Mr Lévy reflects Philips' desire to marry its own expertise in "hardware" such as compact disc (CD) players and video cassette players with "software" produced by record companies such as PolyGram.

Consumer electronics are vital to Philips' hopes and strategy for the 1990s. The division is responsible for a number of key projects *including high definition television* and the digital compact cassette (DCC), which Philips is promoting as the successor to the analogue audio cassette.

BAT Industries suffers 24% decline

By Andrew Bolger in London

BAT Industries, the tobacco and financial services conglomerate, has appointed the head of the Mars Corporation's confectionery business in the UK to lead Allied Dunbar, its life insurance subsidiary.

Sir Patrick Sheehy, chairman of BAT, said he was pleased to gain the marketing skills of Mr George Greener as managing director of Allied Dunbar, which had the biggest direct-sales force in the UK insurance industry.

BAT also announced that the *group's pre-tax profits fell by 24* per cent to £413m ($698m) in the six months to June 30, mainly because of Eagle Star, the UK insurance subsidiary, which made heavy losses on its mortgage indemnity business.

Sir Patrick said the decline in profits was more severe than expected. *He blamed the length* and impact of the UK recession particularly on the property and small business sectors.

Eagle Star moved from a pre-tax profit of £21m in the first half of last year to a loss of £189m. It *made underwriting losses of* £331m, mainly in the UK.

BAT's overall group turnover grew by 3 per cent to £9.075bn, but earnings per share slumped by 48 per cent to 10p. Nevertheless, the interim dividend was raised by 8 per cent to 22.4p. Sir Patrick said: "We are as determined as ever to reward our shareholders with dividend increases in excess of the rate of inflation."

He was pessimistic in the short term about Eagle Star's general insurance business, and provisions *in the second half* were likely to be as bad as in the first six months.

However, more encouragingly, the group's other financial service *businesses, Farmers in the* US, Allied Dunbar, and Eagle Star Life, made good progress in difficult circumstances.

Trading profit from tobacco grew by 5 per cent to £453m and cigarette volumes rose by 3 per cent. Sir Patrick said there had been a second-quarter decline arising from the timing of orders, *but since the half-year there had* been a resumption of growth.

Tobacco volumes in the US domestic market were lower in the first half and the shift to value brands offset the benefit of *price increases. Exports rose,* mainly in the Far East, resulting in substantially higher profits.

Farmers raised its contribution to trading profits by 15 per cent to £168m. Eagle Star's life business had increased profits by 4 per cent to £28m, although turnover was down. Allied Dunbar's contribution to group trading profit was up 15 per cent to £62m. Lex, Page 14

Blending tobacco with insurance

By Richard Lapper in London

Yesterday's announcement of a new chief executive to head Allied Dunbar, the UK life assurance and unit trust subsidiary of *BAT* Industries, the British conglomerate, marks another step by Sir Patrick Sheehy, chairman of BAT, to re-establish the credibility of his group's tobacco to insurance strategy.

In the 1980s, the performance of Eagle Star (the insurer bought in 1984), Allied Dunbar (acquired in 1985) and Farmers, the Californian-based insurer bought in 1988, added a new dimension to BAT's solid tobacco business.

Over the last 12 months, however, the exodus of important executives at Allied Dunbar and a series of disastrous results at Eagle Star have cast doubt on the strategic blend and raised concerns about the industrial man*agement's ability to run an insur*ance business effectively.

The worst problems have been at Eagle Star, where interim losses dented BAT's own half-year profits which were announced yesterday. This year's £189m ($319m) losses at Eagle Star – principally because of losses on domestic mortgage indemnity business – follow *disastrous losses last year on the* insurance of loans to developers of residential and commercial property.

The problems of Allied Dunbar are less serious. The group saw strong performance in the first *half of this year, when new* business increased at a rate faster than the industry average and profits grew 15 per cent on the same period last year.

The appointment of Mr George Greener fills a management hole created last October when Allied Dunbar's two founders – Sir Mark Weinberg, chairman, and Mr Mike Wilson, chief executive – announced that they were quitting the company, along with a number of senior executives. Official explanations failed to disguise the deteriorating relations between BAT and Allied Dunbar founders and a number of Allied Dunbar staff – 23 to date – have left to join the new *life company* formed by the two men.

As one analyst pointed out: "The defection of senior management from a company widely seen as a management success story must give cause for concern."

The group's underlying strategy to move towards financial services is becoming clearer and the successes of Allied Dunbar and Farmers are increasingly influencing BAT thinking.

Unlike Eagle Star, which is heavily dependent on sales by independent intermediaries and brokers, Farmers and Allied Dunbar have direct salesforces and greater control over distribution. Both companies also have reduced their exposure to risk. Allied Dunbar specialises in selling unit-linked investment products in which the policyholder, *rather than the insurer, takes* much of the risk. Farmers subcontracts its non-life underwriting operations to a number of mutual insurers and is paid a commission on the amount of premium earned.

Allied Dunbar is imitating Farmers in the medical insurance arena, which it entered this year, by marketing and packaging products underwritten by *Lloyd's* syndicates.

Already Eagle Star has reduced the amount of commercial insurance it is prepared to underwrite, concentrating instead on less volatile personal lines and life business. The group has backed out of commercial mortgage indemnity insurance and is renegotiating with building societies about its domestic mortgage indemnity business.

Increasingly in the 1990s, Eagle *Star is also likely to seek control* of its own marketing, reducing its dependence on sales by brokers and building societies.

"There might not be quite so much growth in the 1990s as there was in the 1980s. However, when recovery does come, we believe savings and pensions will grow faster than the growth in GDP. We want to share that business, but we've got to be good at it, and avoid some of the mistakes we've made in the past," says Sir Patrick.

Tony Andrews

George Greener (left), Allied Dunbar's new chief executive, with Sir Patrick Sheehy of BAT

Union Pacific in $870m provision

By Nikki Tait in New York

UNION Pacific, one of the largest US railway companies, yesterday announced it would take a $870m pre-tax charge against third-quarter earnings, mainly to cover the cost of new labour agreements and boost productivity in its railway business.

The company said it expected between 3,000 and 4,000 redundancies over the next three to five years, as it introduces new labour agreements. Cost savings over a similar period could amount to some $300m. Last year the company employed an average of 43,000 people.

It also plans to sell or abandon up to 7,100 miles of lightly-used lines, of a total 33,800 miles, to avoid maintenance and capital costs.

The moves follow a labour pact hammered out between the industry's management and its unions – and implemented with some help from Congress. As a result, Union Pacific's action is likely to be echoed by other companies in the sector.

The one-off charge reduces to about $575m after tax.

Yesterday's announcement accompanied news of a two-for-one scrip issue and an increase in the quarterly dividend rate from 62½ cents to 68 cents (ahead of the share split).

Union Pacific said that of the overall charge, some 85 per cent, or $492m at the after-tax level, related to the railway division. New working practices are being introduced following fraught industry-wide negotiations.

Union Pacific saw management changes in its railroad division last month, when Mr Michael Walsh departed as chief executive to head Tenneco. He was replaced by Mr Richard Davidson.

Mr Walsh was credited with a substantial overhaul of the business, reducing costs, updating equipment and aiding efficiency. Yesterday, the company claimed that labour productivity, in terms of gross ton miles per employee, had already improved by 80 per cent over the past five years.

Union Pacific's railway business made an operating profit of $900m last year. Employees at the end of 1991 totalled 29,500, down by 22 per cent on the 1985 level.

Of the after-tax restructuring charge, the remaining $83m is spread between Union Pacific Resources, the natural resources division; Overnite Transportation, a trucking business; USPCI, the environmental services subsidiary; and Union Pacific Corporation, the parent group.

Omni Holding creditors face mounting losses

By William Dullforce in Berne

CREDITORS will suffer heavier losses than expected from last *April's collapse of the empire of* Mr Werner Rey, the Swiss financier.

Only about 29 per cent of just over SFr1bn ($658m) in unsecured lendings to Omni Holding, the parent company, are likely to be recovered, Coopers & Lybrand, Basle, the court-appointed administrators, announced yesterday.

Even that ratio depends on the ability to sell Omni shareholdings at higher prices than their current stock market values, on the co-operation of banks with secured loans and on the unravelling of some legal niceties.

The 26 creditors of *Omni Beteiligungen*, a subsidiary, stand to get back 33 per cent. Together, the holding company and its subsidiary had total debts of SFr2.2bn against combined assets of SFr661m.

The 28.8 per cent cover for Omni Holding's unsecured creditors emerges from the administrators' median scenario for an administered liquidation. Under a worst scenario creditors would *recover only 13 per cent;* they would obtain 48 per cent under the best forecast.

Banque Paribas heads the list of more than 70 creditors with SFr244m in loans, of which, however, only SFr8.8m is unsecured. The Brussels *branch of* Japan's Long Term Credit Bank has outstanding claims of SFr140m while Bankers Trust and Citibank figure among the 12 largest lenders.

Mr Frans Müller, head of the Coopers & Lybrand team, yesterday underlined the entanglement of cross holdings, lendings and guarantees it had uncovered *among about 100 companies* belonging to the group.

He also highlighted personal transactions by Mr Rey and his directly-held companies with Omni Holding which, he said, had cost the parent company SFr366m *in loss provisions.*

Mr Rey declared himself insolvent before the Zurich bankruptcy court on Tuesday. According to Coopers & Lybrand he has refused to recognise a SFr440m debt *to the Omni group.*

Omni Holding had seen the value of its holdings collapse by about SFr1.6bn from the end of 1989, Mr Müller said.

Of these losses SFr540m was attributable to OmniCorp International *BV*, the Dutch-based company controlling the group's UK and US interests. OmniCorp lost SFr154m in the collapse of Britain's International Leisure Group and SFr278m on property investments.

Omni sold its stake in Adia, the employment services group, at a loss of SFr320m while a loss *of SFr269m is attributed to Har*pener, the German industrial and property group, in which Omni had a majority stake.

The Harpener holding would have to be sold at DM412 per share to clear the debt on it and *had not been taken into account* when assessing the position of the unsecured creditors, Mr Müller said.

INTERNATIONAL COMPANIES AND FINANCE

Commerzbank and Crédit Lyonnais abandon talks

By Christopher Parkes in Bonn

GERMANY'S Commerzbank and France's Crédit Lyonnais yesterday confirmed that negotiations over a share swap had been scrapped, but insisted that routine co-operation through the Europartners grouping of banks – which also includes Banco di Roma and Spain's Banco Hispano-Americano – would be unaffected by the split.

Commerzbank said only that the ending of negotiations had been agreed mutually. However, the rift is a setback for the state-controlled French group's hopes of raising fresh capital to support its expansion plans, which some observers describe as "over-ambitious".

Crédit Lyonnais' lending has expanded rapidly in the past few years, and its exposure to the US film industry – estimated at \$2.5bn, including some \$700m lent to troubled MGM-Pathe – has been the subject of some controversy. Commerzbank may also have been disturbed by recent Crédit Lyonnais expansion in Germany, which may have been taken to indicate that linkage through a share swap would not necessarily stop it from moving into its partner's territory.

French officials were at pains to point out yesterday that Crédit Lyonnais was already well-represented in Germany. It had a German subsidiary with 10 branches, an aircraft leasing business based in Frankfurt, and interests in seven branches in Saarland operated by Europartners.

Commerzbank is still engaged in its rapid expansion into eastern Germany. It opened 50 branches in the region during the first half of this year and is expected to have 100 operating by the end of the year, with at least another 20 to follow in 1992. Unification of Germany is understood to have expanded Commerzbank's market by 25 per cent.

The proposal for cross-shareholdings was first made in 1987, but there have been changes in the top jobs at both banks since then. Most recent was the replacement in May of the aggressive Mr Walter Siepp by Mr Martin Kohlhaussen at the head of the Commerzbank board.

In April, only days before Mr Kohlhaussen was named as Mr Siepp's successor, Commerzbank said a deal on the cross-shareholdings – giving the German bank a 7 per cent stake in Crédit Lyonnais and the French 10 per cent of Commerzbank – would be agreed within a week.

However, talks subsequently went adrift and there has been speculation for most of the summer that the issue was dead because of clashes in management style and commercial strategy.

Both banks are expected to make a further statement on the reasons behind the ending of negotiations during a meeting of the International Monetary Fund in Bangkok next month.

COMMERZBANK yesterday increased its capacity to lend by raising DM500m of new capital from German investors, writes Simon London in London.

The bank made an issue of profit-sharing certificates which pay annual interest of 9.4 per cent but offer near-equity risk.

German banks cannot issue subordinated debt, and such issues are the main method used for raising non-equity capital.

The certificates issued also have warrants attached, giving the holder the right to buy Commerzbank shares at DM280 per share, a 10.2 per cent premium to yesterday's midday price of DM254.

Wimpey slides from £12.6m to £200,000

By Andrew Taylor, Construction Correspondent, in London

WIMPEY, one of Britain's biggest and best-known construction groups, barely broke even during the first six months of this year.

Pre-tax profits during the six months to the end of June were £200,000 (\$336,000) compared with profits of £12.6m at the same stage last year.

After all deductions, the group made a loss of £8.4m compared with a profit of £8m in the first six months of 1990. Wimpey blamed the losses on the deep recession in UK and US housebuilding and commercial property markets.

The results compared unfavourably with half-year figures announced yesterday by AMEC, another large UK construction group, which revealed that its pre-tax profits had fallen by almost a quarter to £21.9m.

Mr Joe Dwyer, Wimpey's chief executive, said the group planned to make "significant" disposals to raise money to reduce borrowings and to provide for new investment.

The group last month announced that it had sold for £110m a 50 per cent stake in the Little Britain property development in London. The proceeds will not become available until the second half of next year when the building has been completed.

The cost of finishing the development led to a net cash outflow of about £30m during the first half. At the end of June net debt was £372m equivalent 58 per cent of shareholders funds.

Mr Dwyer said the group had paid £15.4m in interest which was more than the £11.5m it had paid to shareholders in dividends. For the second time in six months the group has had to dip into reserves to pay shareholders who will receive a maintained interim dividend of 4p.

Mr Dwyer said he intended to reduce gearing to below 50 per cent by disposing of peripheral and under performing businesses.

Lex, Page 14; Shaky footings underpin crumbling market, Page 24; AMEC results, Page 22

Salomon dropped from BT sale

By Roland Rudd and Sara Webb in London

THE UK Treasury yesterday announced that it had dropped Salomon Brothers as its US lead manager in the sale of part of its shareholding in BT, the British telecoms group, in November.

Mr Norman Lamont, chancellor of the exchequer, yesterday accepted the recommendation of the government's advisers that Salomon should be sacked.

Lord Young, the former cabinet minister who is now a director of Salomon, was unable to persuade ministers that the US investment bank should continue to play a leading role in the £5bn (\$8.4bn) privatisation.

Goldman Sachs, runner-up in the original selection, and the other two finalists, Merrill Lynch and Morgan Stanley, have been asked to make a new presentation to the Treasury this morning.

While Goldman Sachs is favourite to become the new US lead manager, the Treasury is anxious to make sure that Salomon's replacement is free from any scandal.

Salomon is under investigation by the Securities and Exchange Commission, the New York Federal Reserve, the New York Stock Exchange, the Treasury department and the anti-trust division of the Justice Department.

The investigations cover other primary dealers in the US bond markets as the investigators are looking for signs that dealers have colluded in rigging the bond auctions.

The UK Treasury's decision will come as a severe disappointment to the US house.

Despite the scandal surrounding its rigging of the US Treasury bond market, Salomon has continued to win mandates for international equity issues in recent weeks, suggesting that in many cases corporate clients had decided to distinguish between Salomon's bond operations and its equity business.

British Telecom was considered a prestige mandate as a UK government privatisation as well as promising to generate considerable profits for Salomon.

Mr James Massey, chairman of Salomon, said: "We regret that [the] ... government found it necessary to make this decision.

"The new management at Salomon Brothers has dealt speedily and effectively with the violations which came to light a few weeks ago."

He added that he hoped Salomon would renew its long-standing relationship with the UK government in the near future.

In a separate development, BT yesterday issued a statement saying that the government's plans for eight preferred retailers to set up cut-price share shops was compatible with its view of a successful offer.

It was responding to reports that BT directors were unhappy with the government's handling of the sale.

Swedish banks plan to keep Bricom holdings

By John Burton in Stockholm

THE TWO Swedish banks that last week took majority control of Bricom, the UK industrial conglomerate, say they have no immediate plans to sell their shareholdings or parts of the concern.

Nordbanken and Skandinaviska Enskilda Banken acquired ownership of Bricom after its main shareholder, the Swedish financier Mr Erik Penser, defaulted on bank loans made to his companies.

Yggdrasil, Mr Penser's private investment company, and Gamlestaden, his finance company, each acquired one-third of Bricom in June 1990, with the rest held by the US financier Mr Alexander Vik, in a £337.5m (\$567m) deal.

Bricom, created as the industrial division of British & Commonwealth in 1987, was sold a year later to a management buy-out group before being taken over by Rochfield.

Bricom includes Bristow Helicopters, Steels Aviation Services and specialised business service operations as well as hotels and apartments in the Canary Islands.

When Mr Penser defaulted on his bank loans last week, Nordbanken took control of Yggdrasil, while Gamlestaden fell into the hands of a 14-bank consortium led by SEBanken.

"We have full confidence in the Bricom board and see no reason why we should quickly dispose of our shares," said an executive with Nordbanken, which helped finance Mr Penser's takeover of Bricom.

SEBanken officials admit they know little about Bricom and have not yet made an examination of the company's prospects. Although the banks are planning eventually to sell their shares in Bricom and other companies they acquired from Mr Penser, they have decided to wait until market conditions improve for the disposal of assets.

The Swedish government has given the banks permission to keep control of Mr Penser's companies until the end of 1993 and an extension is possible. Swedish banks are not allowed to have stakes in industrial companies, except in cases involving bankruptcy.

Mr Penser's ownership of Bricom will be part of the Stockholm stock exchange's investigation into his activities. The bourse is interested in the transactions among the Penser companies concerning the distribution of highly-leveraged assets, including Bricom.

Gamlestaden's Bricom stake was later transferred to a subsidiary Saccus, in which Nobel Industries, the chemicals and defence group controlled by Mr Penser, became a shareholder in early 1991. Saccus has been taken over by the S-E-Banken-led bank consortium. Yggdrasil did not disclose ownership in Bricom until June.

Total's profits advance 40%

TOTAL, the French state-controlled oil leader, yesterday reported a 40 per cent increase in profits for the first half of the year, higher than most analysts had expected, writes William Dawkins in Paris.

Net profits rose to FFr3.6bn, (\$600m) from FFr2.57bn in the same period of 1990. However, earnings per share rose less steeply, by 33 per cent, because of an increase in the number of shares in issue after Total absorbed its investment arm, Omnium Financier de Paris.

Officials said earnings improved across all sectors, including refining, distribution, chemicals, oil and gas. The group will publish more details on September 19, when the board is due to agree the full results.

Wereldhave falls 10% in first half-year

By Ronald van de Krol in Amsterdam

WERELDHAVE, the Dutch property company which has significant holdings in the UK, reported a drop of nearly 10 per cent in first-half net profits and said it expected to pay an unchanged dividend for 1991.

Net profit declined to Fl 45m (\$23m) from Fl 49.8m in the same period of 1990. The company said it would pay an interim dividend of Fl 3.50, down from Fl 4.25 in the corresponding period last year, but added that it would maintain its full-year dividend at Fl 8 per share.

The net rental income was up 11 per cent in the period, due to rent increases and new additions to the property portfolio. However, income from other investments fell. Overall, investment income showed a small rise of Fl 3.2m to Fl 111.2m. This increase was more than offset by a Fl 6.6m rise in net interest charges to Fl 55.1m, reflecting the expansion of the company's property portfolio, mainly in the Netherlands, Belgium and France.

Wereldhave, which made a successful hostile bid for Peachey Properties of the UK in 1988, said property markets in the UK and the US remained under pressure in the first half. Roughly one-third of the company's investments are in the UK, with a further 15 per cent in the US.

Irish chief executive quits after 10-hour meeting

By Peggy Hollinger in London

MR Christopher Comerford, who turned round the loss-making Greencore, flagship of the Irish government's privatisation programme, yesterday resigned as chief executive.

The move follows revelations of his undisclosed interest in a distribution company bought by the group when it was under state control.

The Irish government, Greencore's largest shareholder with 45 per cent following last April's flotation, yesterday expressed "serious concern" and called on the board for a full report.

Mr Comerford stepped down after a 10-hour board meeting at which he vigorously contested pressure to quit the sugar and foods group.

Mr Frank Dunlop, Greencore's spokesman, said the board had unanimously backed Mr Comerford's departure.

Neither Mr Comerford nor Greencore management was available for comment.

Mr Bernie Cahill, chairman, will act as chief executive.

Mr Comerford is alleged to have violated Stock Exchange regulations by not declaring his indirect interest in Sugar Distributors (Holdings) when Irish Sugar bought the 49 per cent of SDH which it did not own for I£8.68m (\$13m) in 1990. The sale came just 11 months after he and other investors, including four senior executives of Irish Sugar, had paid I£1.7m for Gladebrook, which owned the 49 per cent stake in SDH. The four other Irish Sugar executives all disclosed their stakes in SDH.

Mr Comerford's interest was revealed only recently when he instituted legal proceedings to recover more than I£2m arising from the sale.

He is in dispute with a firm of solicitors in Cork over the ownership of Talmino, the Jersey-registered company which indirectly held his stake in SDH.

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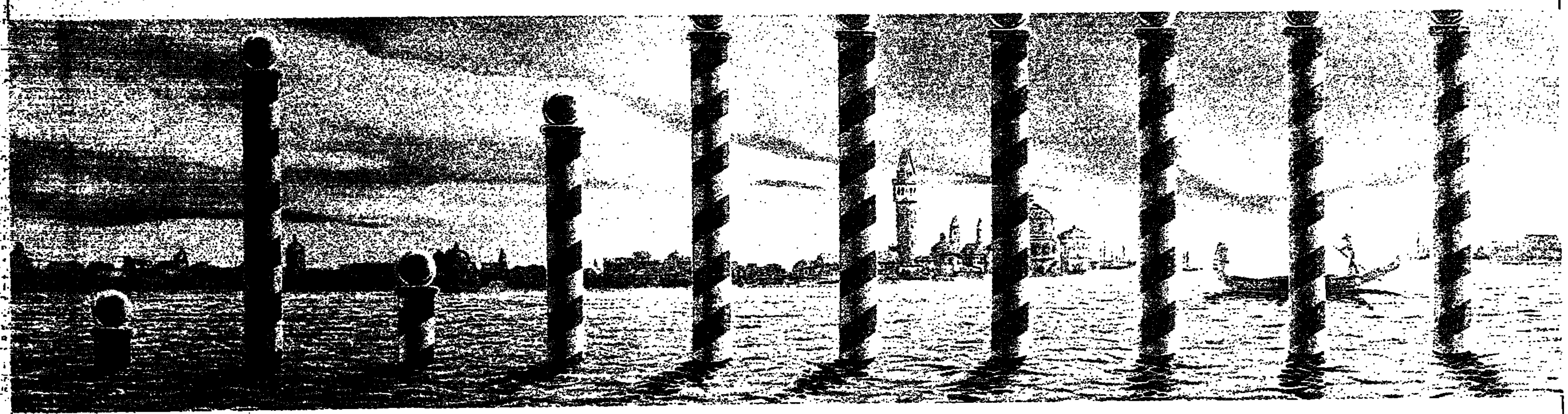

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SYNERGIE - EQUATEUR

Campbell delivers strong results after retrenchment

By Martin Dickson in New York

CAMPBELL Soup, the US foods group, yesterday produced the pay-off from a year of restructuring. It announced a 37 per cent increase in fourth-quarter earnings per share and a 34 per cent increase in 1991 earnings per share, excluding special charges.

The company, which was ailing when Mr David Johnson, its Australian chief executive, took over some 20 months ago, is being turned around through a mixture of plant closures, staff cuts and new product introductions.

Fourth-quarter net earnings totalled $84.7m, or 67 cents a share, on sales of $1.35bn, compared with a loss of $232.8m, or $1.84, on sales of $1.44bn in the same period of 1990.

In last year's quarter, the company recorded after-tax restructuring and divestiture charges of $301.6m. Excluding these charges, earnings per share were up 37 per cent.

Mr Johnson said the company would enter 1992 "positioned well to support a continued strong financial performance. Our strong margin growth has given us an opportunity to increase consumer advertising as we drive volume through the introduction of new products, line extensions and continued revitalisation of flagship products."

Net earnings for 1991 totalled $401.5m, or $3.16 a share, compared with $4.4m, or 3 cents, after last year's restructuring charge. Sales were unchanged at $6.2bn.

The company's North American division, its largest, reported a 27 per cent increase in operating earnings on 1990's pre-restructuring total.

Campbell International more than doubled operating earnings, with restructuring of the UK business playing a significant role.

Seagram set back to $120m

By Robert Gibbens in Montreal

THE second-quarter performance of Seagram, one of the world's leading four international drinks groups, suffered because of the global recession, a US$29m charge for restructuring its European spirits and wine operations, and a lower contribution from Du Pont, the chemicals group.

Seagram reported operating profit of $120m for the three months to July 31 after the special charge, against $150m a year earlier. Sales fell 2.4 per cent to $1.38bn from $1.41bn.

After interest expenses, dividends from 24.5 per cent-owned Du Pont and equity in its unremitted earnings, Seagram's final net profit was $149m, or $1.58 a share, down about 27 per cent from $205m, or $2.18 a share, a year earlier.

Seagram, which derives about two-thirds of its drinks sales from international operations, owns Martell and Mumm in Europe and has radically re-organised its marketing efforts there.

Mr Edgar Bronfman Jr, the president, said the restructuring would enable Seagram to compete better in the emerging single European market. European business provides about half Seagram's operating profit. He said the drinks business overall should perform better in the second half and its operating income should exceed last year's $708m.

In the second quarter, Seagram had to deal with higher excise taxes in the US, a severe reduction in international travel and the global recession, he said.

Seagram's first-half operating income was $285m, against $309m, on sales of $2.78bn, against $2.71bn. Final net profit after interest and the Du Pont contribution was $337m or $3.58 a share, compared with $392m or $4.15 a year earlier.

Sun unveils software for business computers

By Alan Cane

SUN Microsystems, the fast-growing US workstation manufacturer, yesterday raised the temperature of the "Unix wars", which have divided the global computer industry. The group unveiled new operating software for business computers which it hopes to establish as an industry standard.

The move marks a long-expected attempt to broaden its market beyond the traditional scientific workstation area to personal computers and the business desktop.

International Computers (ICL), the UK-based subsidiary of the Japanese Fujitsu company, has collaborated with Sun's software division, SunSoft, in developing the software, called Solaris.

Other computer companies which endorse Sun's initiative include CompuAdd, Solbourne, Tatung and Toshiba. Software companies which have agreed to develop programs to run under Solaris include Lotus Development, Oracle, Word Perfect and Software AG.

A standard operating system for small and medium computers offers users lower costs and the ability to connect computers from different manufacturers in networks.

Unix, developed by AT&T, has emerged as the operating system of choice, with about 10m users worldwide, but each manufacturer has developed a separate version, destroying hopes of a world standard.

The industry has polarised around two groups of Unix developers, Unix International, including Sun and ICL, and the Open Software Foundation (OSF) including International Business Machines, the world's largest computer company.

OSF has recently completed its own version of Unix, OSF1, but the situation is confused by the existence of IBM's Unix offering, AIX.

Other groups are emerging, including the ACE consortium, which takes in Compaq, Microsoft and the Sanat Cruz Operation. Solaris is seen as a direct consequence of the ACE challenge.

It seems the Solaris launch is an attempt to take the initiative in an emerging area of business data processing called "client server" computing, in which high-powered workstations and computers are linked in a network.

It is also an attempt to establish a standard operating system to run on a broad range of microprocessor chips including those made by Intel – which dominates the personal computer world – Motorola and Mips as well as Sun's Sparc chip.

Solaris will be distributed on a single compact disc. It will cost about $1,400 for conventional workstations and $795 for laptop computers.

Doubts temper relief over airport

Angus Foster finds Hong Kong nervous about the economy's future

MR John Major, the British prime minister, arrived in Hong Kong yesterday to find business leaders far more upbeat about the colony's prospects than they had been as recently as three months ago.

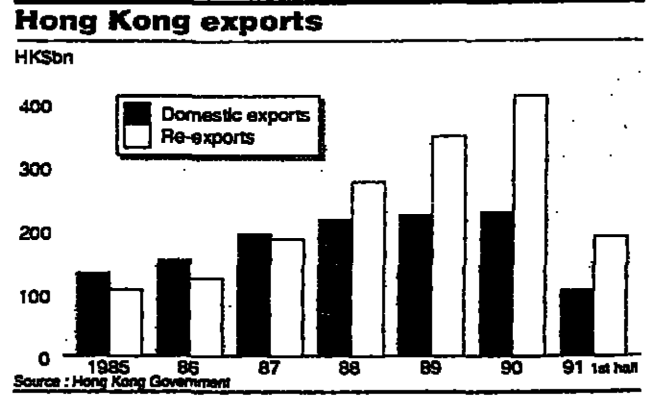
Confidence has risen sharply following July's agreement on Hong Kong's new airport project. Business is relieved that uncertainty has been removed and optimistic that Hong Kong and China can develop a better relationship. With six years left until Hong Kong's return to China, the colony is set to strengthen its role as the financial and trading centre for southern China, that country's most developed region.

Spending on the HK$98.6bn (US$12.7bn) airport and related infrastructure should underpin Hong Kong's economic growth into the next century. A labour shortage may add to inflation, but the main economic benefits of the new airport are expected to accrue after it opens, due in 1997.

On Tuesday, the same day as Mr Major signed the airport accord, Citic Pacific, the Hong Kong listed arm of Beijing China International Trust and Investment Corporation, one of the most aggressive Chinese state corporations, announced a recommended HK$6.94bn takeover of Hang Chong, one of the largest unlisted companies in Hong Kong.

The takeover is significant because it gives Citic Pacific a meaningful underlying business. Hang Chong has trading and car distribution operations and investments in Asia and North America. Until now, Citic Pacific and its immediate holding company Citic (Hong Kong) only held strategic minority stakes in important Hong Kong companies such as Cathay Pacific Airways and Hongkong Telecom.

Hong Kong exports



Source: Hong Kong Government

Citic Pacific's bid was welcomed in Hong Kong as evidence that China is prepared to invest in the colony. The company also has plans to become the first Chinese "hong", or trading conglomerate, and wants to be a constituent stock in the Hang Seng Index.

China seems intent on running Hong Kong in the same way as Britain has, as a colony. It therefore wants to control key sectors of the economy. Last year, Citic (Hong Kong) bought a 20 per cent stake in Hongkong Telecom from Cable & Wireless. Although the deal ensured Hongkong Telecom's future, it was seen as a deal between Hong Kong's old and new colonial masters.

This has implications for competition in Hong Kong. Because of China's stake in the company, it raises doubts about whether Hongkong Telecom's monopoly for international telecommunications will be opened up to competition when the franchise runs out in 2007.

Several questions about the approach to 1997 are unanswered. China has gained a say over the Hong Kong economy through the airport agreement, and businessmen are worried about how China will adapt to its new role.

There are also serious concerns about the potential for corruption and the risk of the Hong Kong government's legitimacy declining.

China's influence over Hong Kong business has been growing for the last 12 years after the country opened to the world. China is the third largest source of foreign investment into Hong Kong, ahead of the UK. Total Chinese investment stands at more than US$10bn. Hong Kong consumers buy goods ranging from petrol to clothing to holidays in Thailand from Hong Kong subsidiaries of Chinese companies.

Hong Kong companies have moved manufacturing into southern China for cheap labour and land and employ 1.5 to 2 million people, according to some estimates. As links with China have grown, Hong Kong's re-exports, which are mainly goods processed in China, have rapidly overtaken purely domestic exports.

While businessmen remain hopeful for Hong Kong's future they are nervous of political and other worries. About 70 holding companies have moved legal domicile to places such as Bermuda, and private wealth is also seeking safer havens. Last year, Hongkong and Shanghai Bank became the most important company to leave when it announced a restructuring under a London holding company.

Bank of China, which holds more than 25 per cent of Hong Kong's deposits, has expanded its influence in recent years and is believed to have ambitions to be a note issuer.

Corruption is expected to increase as Hong Kong's capitalistic lifestyle tempts poorly-paid Chinese executives.

Chinese corporations are widely believed to have used privileged information about the airport agreement to insider trade on the Hong Kong stock market ahead of the announcement.

China's preference for governing through committees may also slow Hong Kong's ability to make quick decisions.

Varity fails to move out of red

By Bernard Simon in Toronto

VARITY, the diversified automotive and farm equipment group which recently moved its head office from Canada to the US, has suffered *its second consecutive quarterly* loss, but has raised hopes of a patchy recovery.

Despite earlier predictions of a return to profitability by mid-1991, Varity, now based in Buffalo, New York state, posted a loss of US$7.6m, or 49 cents a share, in the three months to July 31, compared with a profit of US$33.6m, or 99 cents, in the 1990 quarter.

All figures have been restated to conform with US accounting principles. The per-share earnings reflect a recent *one-for-10 reverse share split*, which was designed to enhance Varity's image in the US investment community, as was the move to Buffalo.

Revenues slid by 13 per cent to US$829.5m, with declines in each of the main operating divisions, namely automotive parts, farm and industrial machinery and diesel engines. Nonetheless, the group's sales in the latest quarter were 22 per cent ahead of the previous three months, and the loss was narrowed from US$37.3m.

Massey-Ferguson, the farm-equipment maker, saw sales tumble by 19 per cent to US$291m, reflecting the unremitting slump in the international farm machinery market.

Mr Victor Rice, chairman, said: "We are detecting signs of improvement, although so far they have been neither emphatic nor consistent."

Hoya acquires stakes in two laser concerns

By Steven Butler in Tokyo

HOYA, the Japanese optical glass company, said yesterday it was expanding its laser equipment business with the purchase of equity stakes in two overseas companies, one in the US and one in Germany.

Hoya has purchased 90 per cent of Continuum Electro-Optics, a California-based company, for $20m, and 38.9 per cent of MLS Munich Laser Systems, of Germany, for DM6.25m ($3.6m).

The management and business plans of both companies are to remain unchanged.

Hoya said the investments would allow for an exchange of technology and production between the three companies, with the aim of building a global laser equipment group. It said the products were in increasing demand in research, manufacturing, measurement and medical applications.

Continuum last year had sales of $18m, which Hoya hopes to expand to $24m in three years. Sales at MLS last year came to DM11.08m. Hoya plans to sell Y1.5bn ($7.4m) of MLS products in Japan in 1993, and use MLS as a vehicle for Y500m of Hoya products in Europe.

Australia rejects Mt Keith proposal

By Mark Westfield in Sydney

AUSTRALIA's Foreign Investment Review Board (FIRB) delivered Australian Consolidated Minerals a blow yesterday by rejecting its proposed development of the huge Mt Keith nickel deposit in a joint venture with Outokumpu Metals & Resources, of Finland.

The rejection has encouraged Western Mining and the Normandy Poseidon group, which are jointly bidding A$1.11 a share for ACM, valuing the target at A$266m (US$209.4m). Had the FIRB approved the joint venture with Outokumpu, it would have thwarted the takeover because WMC is bidding for ACM only because it wants to develop the nickel deposit independently.

ACM announced the rejection yesterday, but said it was working with Treasury officials in an effort to have the joint venture proposal accepted. Shareholders of ACM are due to meet on September 16 to approve the joint venture, in which Outokumpu would pay ACM A$90m for a half-share of the project and assume most of the A$350m development costs.

Australia's rejection of a significant project such as this is unusual. Neither the FIRB nor the treasurer, Mr John Kerin, gave any reasons for the objection.

● Amcor, the packaging and paper group, yesterday broke the trend of profit collapses in Australia by announcing a 26 per cent rise in equity-accounted net profit to A$227.7m (US$179.3m) for the year to end-June.

Pre-tax profit, boosted by A$60.4m in abnormal gains, was up 24 per cent to A$331.8m from A$267.7m.

Ford-Werke profit slips 28% despite sales gain

By Kevin Done, Motor Industry Correspondent

FORD-WERKE, the German subsidiary of Ford of the US, suffered a 28 per cent fall in pre-tax profits in the first half of the year, despite a 14 per cent increase in turnover.

According to a mandatory disclosure by Ford-Werke of its first-half figures in the official Federal Gazette, pre-tax profits fell to DM517m ($297.1m) from DM722m in the corresponding period a year ago, while turnover rose to DM11.9bn from DM10.4bn.

The company blamed the decline in pre-tax profits on its high level of capital investment and heavy spending on new product research and development.

Ford said it had also suffered from a jump in labour costs and falling sales in key European export markets. The weaker exports could not be fully compensated by good domestic results, which had been fuelled by the surge in new car demand in unified Germany.

The company said that in the whole of 1991 it expected to increase turnover, registrations and market share from the levels that had been achieved last year.

Ford Werke's group net profit in the whole of last year fell to DM269.7m from DM362.2m in 1989, while group turnover rose to DM20.75bn from DM19.81bn.

Ford's share of the western German car market remained unchanged at 10.6 per cent in the first half of the year.

Ford-Werke said that its vehicle production rose to 528,000 in the first half of the year from 495,000 in the corresponding period a year ago.

Vehicle sales increased to 551,000 from 501,000, of which domestic sales jumped to 280,000 from 163,000, while export sales fell to 271,000 from 338,000.

Browning-Ferris declines after warning on earnings

SHARES in Browning-Ferris, the second biggest US waste management company, continued to fall yesterday after the group's disclosure that fourth-quarter earnings would be as much as 25 per cent below the company's third-quarter results, writes Karen Zagor in New York.

In morning trading, the shares fell 1¼ to 20⅜. The company estimates earnings for the fourth quarter ended September 4 would fall by 15 to 25 per cent from the 38 cents a share reported in the third quarter.

For the whole of 1991, it expects income from continuing operations to decline 12 to 15 per cent from the $257m or $1.68 a share reported a year earlier.

Browning-Ferris has been badly affected by the recession's effect on waste collection, as companies reduce waste in their attempts to cut costs.

Also, the company's earnings have been affected by the cost of expanding some landfills and bringing other sites into compliance with pending regulatory changes.

Management, however, expects cash flow from operations in 1991 to exceed 1990 levels, of about $570m.

INTERNATIONAL COMPANIES AND FINANCE

Ringing the changes in telecoms

John Ridding looks at the break-up of a South Korean monopoly

MR Shin Yun Sik, president of Dacom, one of the participants in the break-up of the South Korean telecommunications monopoly, is about to experience the costs and benefits of industry liberalisation.

His company is preparing to launch its international telephone service and break the monopoly of government-owned Korea Telecom. At the same time, however, Dacom's own monopoly over the provision of value-added telecommunications services has been brought to an end.

The new opportunities presented to Dacom, and the prospect of competition in its existing businesses, are part of the government's plans to reform the Korean telecommunications sector. Along with the liberalisation of long-distance telephone calls and the opening of the value-added network (Van) market, mobile telecommunications will be removed from a monopolist.

The intention is to upgrade the quality and range of services available to Korean consumers through the introduction of competition. This is deemed particularly necessary in the hitherto neglected areas of value-added networks and mobile communications.

The competition, however, will come "Korean style". Korea Telecom will maintain, at least initially, its 34 per cent stake in Dacom, its new competitor. The rest of the shares are held by what appears an honour list of Korea's largest business groups. "We think of Korea Telecom as a big brother," says Mr Shin. "We have a family concept of competition based on goodwill between two competitors."

Younger brother or not, Dacom has been mapping out strategies with which to win a slice of the overseas call market from Korea Telecom. Part of the strategy is to offer cost incentives.

According to Dacom, the company will charge about 10 per cent less for calls to the US, Hong Kong and Japan, the first areas it will be allowed to service.

Mr Shin agrees that lower charges are not enough.

"If you look at international examples such as the establishment of Mercury in the UK and the introduction of new companies in Japan, then, even with tariff cuts of between 15 and 20 per cent, they have been restricted to less than 30 per cent of the market."

The answer, he believes, is to upgrade services. Dacom will, for example, use its experience as a value-added network provider to offer such features as immediate details of the cost of international calls.

Not that the introduction of competition in the international voice market is likely to produce losers. The Korean market for overseas calls has been enjoying steady growth and, as in the UK and Japan, is expected to be further stimulated by the introduction of a new carrier.

As a result, Dacom forecasts that it will achieve 23m international calls in 1992, about 25 per cent of the market. By the end of the following year, it expects to increase the number to 33m calls and its market share to 30 per cent. As Dacom eats into Korea Telecom's share of the overseas market, however, it will be fending off competition from new entrants to the domestic market for value-added networks.

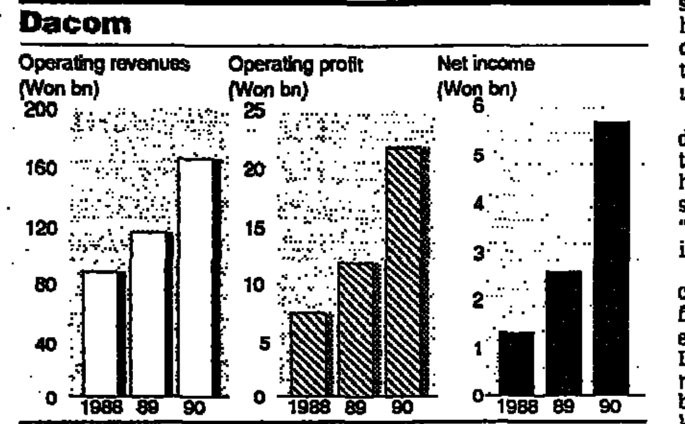
Such networks, ranging from databases and data processing to electronic mail and message handling services, have been slow to develop in Korea. "Progress has been disappointing so far," says Mr Shin.

With the introduction of new competitors from Korea and from overseas, the market is expected to grow rapidly. Dacom forecasts that the total market for VANs will increase by over 20 per cent this year to Won 137.5bn ($187.3m). The fastest growing areas are expected to be electronic mail and credit card information systems.

"The entry of new competitors will be quite challenging," said Mr Shin. "But we are now changing ourselves to adapt to the new environment and I believe that we will be able to survive through the introduction of new products."

Dacom believes its strengths lie in its expertise in computers and software. It points to an information system, developed for the Olympic Games, held in Seoul in 1988, whichis being studied by Barcelona, the next Olympic host, as evidence of its ability to develop new systems.

What is most important, argues Mr Shin, is a change in attitude. "We are no longer in a monopolistic situation," he says. "We have to change the way we think."



Rights issue boosts BIL hold on NZ forest group

By Terry Hall in Wellington

BRIERLEY Investments will control 31 per cent of Carter Holt Harvey, New Zealand's largest forestry group, following its recent NZ$454.85m rights issue, it was announced yesterday.

BIL has bought 1.86 per cent of the issue, or 6.51m shares, as a result of the shortfall in the issue, which it underwrote. It had been widely expected to buy more, in an issue which proved unexpectedly successful.

The underwriting agreement means that, with market purchases of shares, BIL has bought almost 40 per cent of the rights issued. Before the issue was announced, BIL owned 21.1 per cent. It boosted that through market purchases and by buying a 6.5 per cent stake held by Krondor, a Carter family company.

Money raised in the issue, together with the proceeds of the sale of non-forest assets from Elders NZFP, are to be used to repay debt.

● Countrywide Bank, the trading bank subsidiary controlled by the Bank of Scotland and General Accident of the UK, reports a 5.9 per cent drop in profits to NZ$16.5m (US$9.48m) in the year to June.

The bank reported an 18.1 per cent drop in pre-tax profits to NZ$16.9m, but the result was boosted by a tax credit of NZ$955,000 due to non-taxable dividend income.

Extraordinary costs of NZ$1.4m followed the closing of a subsidiary, Sterling Factors, and the sale of certain merchant bank activities. Bad and doubtful debts were NZ$12.9m.

Chase Manhattan credit card issue

A $750m offering of credit card securities, sold through a special purpose vehicle called Chase Manhattan Credit Card Master Trust 1991-2, has been priced with a coupon of 7.65 per cent at 99.842 to yield 7.73 per cent, AP-DJ reports from New York.

That yield is 76 basis points above that for three-year to five-year Treasury notes, according to underwriters led by Chase Securities. The securities have an estimated average life of four years, and an expected final maturity of March 15 1996.

FNMA to price debenture offer

THE FEDERAL National Mortgage Association is to price a $650m debenture offering today. FNMA said the offering was a non-callable issue with a term of seven years. It would mature on September 10 1998, and would pay its first interest on March 10 1992.

● Westpac Banking has issued A$300m of 11.5 per cent transferable certificates of deposit (TCDs) maturing on July 15 1994.

The issue, the Australian bank's seventh tranche of fixed rate TCDs first issued in March 1990, went at 10.87 per cent or 37 basis points over the benchmark New South Wales Treasury bond.

Moody's reviews bond ratings

By Simon London

MOODY'S Investor's Service, the US credit rating agency, has decided to review for possible downgrade the triple-A credit ratings of four sterling mortgage-backed bond issues.

The rating agency said that the review of the bond issues was prompted by a review for possible downgrade of Eagle Star Insurance, a subsidiary of BAT Industries.

Eagle Star provides insurance cover to the bond issues which protects bondholders against loss in the event of widescale default on the underlying mortgages.

Eagle Star is currently rated triple-A, but could not provide triple-A insurance to the bond issues if this top rating was lost.

The mortgage lenders which issued the bonds yesterday offered contrasting reactions to the Moody's decision.

The Mortgage Corporation said that it had already put in place stand-by lines of insurance with a top-rated US insurance company to defend the triple-A credit rating of its mortgage-backed bond issues. Two TMC bond issues totalling £750m have been put under review by Moody's.

National Home Loans said that it had made no decision on whether to upgrade its insurance cover. An official said that the market impact of a downgrade would be limited in any case.

The company's CMS No 4 £200m bond issue is being reviewed by Moody's.

A £106m deal from Bear Stearns Mortgage Securities is also under review for downgrade.

The Moody's review is the lastest hiccup for the sterling mortgage-backed bond market this year, at a time when mortgage defaults in the UK housing market are running at a record level.

In January, the Bank of England announced that banks would have to double the amount of capital they set aside against holdings of mortgage-backed bonds.

In June, National Home Loans arranged emergency lines of credit with banks to head off a liquidity crisis as depositors withdrew funds in the wake of the collapse of the Bank of Credit and Commerce International.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 5 10 pm on September 4

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	102¾	103		7.03
ALBERTA PROVINCE 9 3/8 95	600	105¼	105¾	-¼	7.79
AUSTRIA 8 1/2 00	400	101	101½		8.32
BANK OF TOKYO 8 3/8 96	100	100¾	101¼		8.15
BELGIUM 9 5/8 98	250	106½	106⅞	-⅛	6.33
BFCE 7 3/4 97	150	99⅝	100⅛	+⅛	7.79
BNP 8 5/8 94	300	103¼	103½	-⅛	7.38
BP CAPITAL 9 5/8 93	150	103¼	103¾		7.09
CANADA 9 96	1000	105¼	105½	+⅛	7.55
CARCE 9 1/4 96	650	101¼	101¾	+¼	8.95
CCCE 9 1/4 95	300	105¼	105¾		7.50
COUNCIL EUROPE 8 96	100	100¾	101¼		7.64
CREDIT FONCIER 9 1/2 99	300	106	106½	-⅛	8.37
DENMARK 0 98	250	57¼	57¾	+⅛	8.36
DENMARK 8 1/4 94	150	102¾	103¼		7.18
ECSC 8 1/4 96	193	102¼	102¾		7.73
EEC 7 1/4 93	250	100½	101		6.76
EIB 7 3/4 96	250	100¾	101¼	-⅛	7.55
EIB 9 1/4 97	1000	105½	105⅞	+⅛	8.08
ELEC DE FRANCE 9 98	200	104¼	104½		8.14
EUROFIMA 9 1/4 96	100	104	104½	-¼	8.13
EXPORT DEV CORP 9 1/2 98	150	106¼	106¾		8.26
FINLAND 7 7/8 97	200	98	98½	-1¼	8.33
FINNISH EXPORT 9 3/8 95	200	104¾	105¼	-⅛	7.97
FORD MOTOR CREDIT 9 1/2 93	300	103¼	103¾	-⅛	7.77
GEN ELEC CAPITAL 9 3/8 96	300	105¼	105½	-⅛	7.99
GMAC 9 1/8 96	200	103	103½	+⅛	8.26
HALIFAX 9 1/2 93	300	103⅝	104	-⅛	7.25
IBM WORLD TRADE 7 5/8 93	150	101¼	101⅝	+⅛	6.91
IND BK JAPAN FIN 7 7/8 97	200	98¼	98¾	+⅛	8.26
INTER AMER DEV 7 5/8 96	200	99¼	99¾	-⅛	7.81
ITALY 8 1/2 94	1500	103¼	103¾	-⅛	7.29
JAPAN DEV BK 8 94	150	101⅞	102¼	-⅛	7.19
KANSAI ELEC PWR 10 96	350	107	107½	-⅛	8.06
LTCB 8 5/8 93	150	101¾	102¼	-⅛	7.31
NEW ZEALAND 8 93	100	101⅛	101⅝		7.13
NIPPON CRED BK 9 3/4 93	150	104¼	104⅝		7.54
NIPPON TEL & TEL 9 3/8 95	200	104⅞	105⅜	-⅛	7.70
NORDIC INV BANK 9 93	200	103¼	103¾	-⅛	7.09
ONTARIO HYDRO 11 5/8 94	200	109¼	109¾	+⅛	7.34
OSTER KONTROLLBANK 8 1/8 93	200	101⅞	102⅜		6.76
PETRO-CANADA 7 1/4 96	200	97¾	98¼	+⅛	7.86
PRUDENTIAL RLTY SECS 0 99	365 216	53⅞	54⅜	-⅛	8.63
QUEBEC HYDRO 9 3/4 98	150	106	106½	-⅛	8.58
QUEBEC PROV 9 98	200	102⅛	102⅝	-⅛	8.55
SAINSBURY 9 1/8 96	150	104	104⅜	+⅛	8.13
SAS 10 99	200	102¾	103¼	-⅛	9.52
SNAB 9 1/2 95	500	104½	104⅞	-⅛	8.07
STATE BK STH AUST 9 1/4 93	100	102⅛	102⅝	-⅛	7.29
SUMITOMO BK CAP MKT 9 3/8 93	150	103⅝	104⅛	-⅛	7.51
SWEDEN 8 1/8 94	150	100⅞	101⅜	-1⅛	7.75
SWEDISH EXPORT 9 5/8 93	100	103½	104	-⅛	6.99
TOKYO METROPOLIS 8 1/4 96	200	101⅛	101⅝	-⅛	7.90
WORLD BANK 8 3/8 99	1500	101½	102	+⅛	8.24
WORLD BANK 8 3/4 97	1500	104¼	104¾		7.88
XEROX CORPN 8 3/8 96	100	98⅞	99⅜	+1⅛	8.65
DEUTSCHE MARK STRAIGHTS					
BAPROVEN 11 1/8 95	200	101¼	101¾	+¼	10.72
BULGARIAN TRADE BK 8 1/2 96	200	85¼	85¾		12.73
DEUTSCHE BK FIN 5 5/8 96	750	88⅛	88½	-2	8.68
DEUTSCHE FINANCE 7 1/2 95	1000	97	97½	-⅛	8.53
EIB 5 3/4 98	400	86⅛	86⅜	+⅛	8.48
EIB 6 7/8 95	300	93¼	93¾		8.70
EUROFIMA 6 1/4 98	400	87¼	87¾		8.65
FERRO DEL STAT 5 3/8 93	500	95¼	95¾		9.09
FIRST INTERSTATE 5 3/4 96	200	83	83		10.52
IND BK JAPAN FIN 5 5/8 96	200	87⅜	87⅞	+⅛	8.99
IND DEV BK INDIA 6 3/8 94	200	87	87½	+⅛	11.29
LUFTHANSA INT FIN 5 7/8 98	500	85¼	85¾	+⅛	8.90
NAT BK HUNGARY 8 96	300	90¼	90¾	+⅛	10.52
QUEBEC HYDRO 6 3/4 99	300	88½	88⅞	+⅛	8.89
SWEDEN 6 1/8 98	500	88	88½		8.59
VENEZUELA 8 1/4 93	100	95⅛	95⅝	-⅛	10.62
WORLD BANK 0 15	2000	16¼	16¾	+⅛	7.77
WORLD BANK 5 3/4 96	300	89¼	89¾	+⅛	8.67
WORLD BANK 7 1/8 95	500	95⅛	95⅝	+⅛	8.70
SWISS FRANC STRAIGHTS					
ASIAN DEV BANK 6 10	100	89¼	89¾	+¼	7.03
AUSTRIA 4 5/8 98	100	88	88½	-⅛	7.00
CHUJITSUYA 7 3/4 95	50	100¾	101¼	-1¼	7.67
COUNCIL EUROPE 4 3/4 98	250	88¼	88¾	-¼	7.07
EEC 5 1/2 00	100	90	91		7.00
EIB 5 3/4 93	100	97¾	98¼	-¼	6.90
ELEC DE FRANCE 7 1/4 06	100	102¾	103¼	+¼	6.94
FINLAND 5 3/8 95	150	95¼	96¼		6.57
GENERAL MOTORS 7 1/2 95	100	100	101		7.45
JAPAN DEV BK 5 1/2 94	100	96¼	96¾	+½	7.21
KOBE 6 3/4 01	240	97¼	98		6.73
NEW ZEALAND 4 7/8 99	200	87			7.19
QUEBEC HYDRO 5 08	100	76	77½	-¼	7.59
WORLD BANK 5 03	150	84	84½		7.02
WORLD BANK 7 01	600	102¼	102¾	+¼	6.68
YEN STRAIGHTS					
AUSTRIA 4 3/4 94	30000	96¼	96¾		6.56
CREDIT FONCIER 5 1/4 96	20000	95¼	95¾		6.72
DENMARK 7 95	40000	101½	102		6.52
EIB 4 5/8 94	60000	95⅛	95⅝		6.50
FINLAND 6 3/4 96	50000	100⅞	101⅜	+⅛	6.55
GENERAL ELECTRIC 5 3/4 93	35000	98¼	98¾		7.01
INTER AMER DEV 7 1/4 00	30000	104¾	105⅛	+⅛	6.49
KANSAI ELEC PWR 4 5/8 96	60000	95¼	95¾		6.62
NIPPON TEL & TEL 5 7/8 96	50000	97¼	97¾		6.50
NORWAY 5 1/8 95	50000	95¼	96	+⅛	6.48
SNCF 6 3/4 00	30000	101⅛	101⅝	+⅛	6.49
SWEDEN 5 5/8 95	20000	96⅛	97⅛		6.52
WORLD BANK 6 3/4 00	50000	102	102½	+⅛	6.63

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	500	94	95		9.46
KREDIETCORP 7 93 LFr	1000	95¾	96¾		9.58
WORLD BANK 8 96 LFr	1000	95¾	97½		[illegible]
UNILEVER 9 00 Fl	500	102	102½		[illegible]
BCE INC 9 5/8 93 C$	300	99¾	102¼	-⅛	9.73
BELL CANADA 10 5/8 99 C$	150	100¾	101¼	-⅛	10.47
BRITISH COLUMBIA 9 1/4 93 C$	150	99½	100	-⅛	9.55
EIB 10 1/8 98 C$	130	99⅝	100⅛	-⅛	10.15
ELEC DE FRANCE 9 3/4 99 C$	275	97⅞	98⅜	-⅛	10.15
FORD CREDIT CANADA 10 94 C$	100	98¼	98¾	-⅛	10.50
GENERAL ELECT CAP 10 1/4 93 C$	175	101¼	101¾		[illegible]
ONTARIO HYDRO 10 7/8 99 C$	500	102¼	102¾		10.43
OSTER KONTROLLBANK 10 1/4 99 C$	150	100¾	101¼		[illegible]
QUEBEC PROV 10 1/2 98 C$	250	100¼	100¾	-⅛	10.45
ROYAL TRUSTCO 10 1/4 93 C$	100	99¼	99¾	-⅛	10.66
SWEDEN 9 3/4 93 C$	250	100⅛	100⅝		9.26
BELGIUM 9 1/8 96 Ecu	1250	100¼	100¾	-⅛	9.03
CNT 7 3/8 93 Ecu	250	95⅛	95⅞		10.15
CREDIT LYONNAIS 9 96 Ecu	125	95¼	95¾	-⅛	[illegible]
DENMARK 7 5/8 96 Ecu	250	91¼	93		[illegible]
EEC 7 5/8 94 Ecu	300	95⅛	95⅞		9.26
EIB 10 97 Ecu	1125	103¼	103¾		9.92
ITALY 10 3/4 00 Ecu	1000	103¼	103¾	-⅛	9.14
UNITED KINGDOM 9 1/8 01 Ecu	2750	100¼	100¾		8.99
BP AMERICA 12 1/4 96 A$	100	103	104	-⅛	[illegible]
COMM BK AUSTRALIA 13 3/4 99 A$	100	109	110		[illegible]
COUNCIL EUROPE 13 93 A$	50	101⅞	102⅜	-⅛	[illegible]
EKSPORTFINANS 12 3/8 95 A$	75	103⅝	104⅛		[illegible]
FORD CRED AUST 13 93 A$	50	100⅞	101⅜	-⅛	[illegible]
MCDONALDS CANADA 15 95 A$	100	108¾	109¼	-⅛	[illegible]
NAT AUSTRALIA BANK 14 3/4 94 A$	150	106½	107		[illegible]
STATE BK NSW 14 1/4 99 A$	100	110½	111	-⅛	[illegible]
VOLKSWAGEN INTL 15 94 A$	100	107¼	107¾		[illegible]
ABBEY NATL TREAS 13 3/8 95 £	100	107¼	107¾	-⅛	[illegible]
BARCLAYS JERSEY 9 1/2 93 £	250	99¼	99¾	-⅛	[illegible]
BRITISH GAS 12 3/4 95 £	300	109	109½		[illegible]
DEUTSCHE BK FIN 11 94 £	225	102¾	103¼	-⅛	[illegible]
EIB 10 97 £	364.5	98½	99		[illegible]
FORD CREDIT FUNDING 9 5/8 93 £	50	97½	98	-⅛	[illegible]
INTER AMER DEV 11 3/8 95 £	75	103¼	103¾	-⅛	[illegible]
ITALY 10 1/2 14 £	400	97¼	97¾		[illegible]
LAND SECS 9 1/2 07 £	200	95	95½	-⅛	[illegible]
LEEDS PERMANENT 9 1/4 93 £	50	97½	98	-⅛	10.85
NORWAY 10 1/2 94 £	200	102⅞	103⅜	-⅛	[illegible]
ROLLS-ROYCE 9 5/8 93 £	150	97½	98	-⅛	[illegible]
SAINSBURY 10 7/8 93 £	100	100	100½	-⅛	[illegible]
SKANDINAVISKA ENSK 13 1/8 95 £	100	105¾	106¼	-⅛	[illegible]
WORLD BANK 11 1/4 95 £	100	102¾	103¼	-⅛	[illegible]
ABBEY NATIONAL 0 96 NZ$	100	60	61		[illegible]
TELECOM NZ O/S FIN 13 1/6 95 NZ$	75	105¾	106¼	-⅛	[illegible]
AIDC 7 7/8 93 FFr	500	97¼	97¾		9.45
CREDIT LYONNAIS 10 95 FFr	3000	101¾	102¼		9.56
EURATOM 7 5/8 98 FFr	500	92¾	93¼	-⅛	9.12

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	100.12	100.22	6.5156
ALLIANCE & LEICS 0 08 94 £	300	99.50	99.65	11.2050
BANCO ROMA 0 03 01	200	[illegible]	92.81	6.4675
BANCO SANTO SPIRITO 93	200	99.54	99.65	6.5000
BELGIUM 1/16 97 DM	500	[illegible]	[illegible]	[illegible]
BFCE -0 02 96	350	[illegible]	[illegible]	6.1050
BNP 05	300	95.25	96.25	[illegible]
BRITANNIA 1/10 96 £	150	[illegible]	[illegible]	11.2250
CCCE 06 ECU	200	[illegible]	100.06	9.7500
CITIZENS FED 0 15 96	100	99.45	99.55	[illegible]
COMMERZBK O/S FIN 93	200	99.97	100.07	5.8750
DENMARK -1/8 96	1000	98.45	98.58	5.6875
DRESDNER FINANCE 1/32 96 DM	1000	99.95	100.05	9.2213
ELEC DE FRANCE 1/5 99	400	100.50	100.75	5.3625
FERRO DEL STAT 94	420	100.45	100.72	5.9375
HALIFAX 1/20 94 £	350	99.89	99.99	[illegible]
ITALY 00	500	100.85	100.93	[illegible]
MITSUI FIN ASIA 1/8 96	100	[illegible]	[illegible]	[illegible]
MORGAN JPM 1/4 97	250	[illegible]	99.21	[illegible]
NAT WEST FIN 3/16 05	400	[illegible]	92.38	5.5000
NEW ZEALAND 93	500	[illegible]	99.91	5.7500
QUEBEC PROV 01	300	[illegible]	[illegible]	6.1250
RENFE 98	550	[illegible]	99.99	[illegible]
SOCIETE GENERALE 96	300	[illegible]	99.29	6.3125
STATE BK VICTORIA 0 25 99	[illegible]	[illegible]	95.88	[illegible]
UNITED KINGDOM -1/8 96	4000	[illegible]	100.12	5.9375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	90	2.36	[illegible]	[illegible]	[illegible]
ASDA-MFI 4 3/4 02 £	100	1.64	[illegible]	[illegible]	
BURTON GROUP 4 3/4 01 £	110	[illegible]	122	[illegible]	
EASTMAN KODAK 6 3/8 01	300	[illegible]	[illegible]	[illegible]	[illegible]
GOLD KALGOORLIE 7 1/2 00	65	[illegible]	[illegible]	[illegible]	[illegible]
GOODYEAR TIRE 6 7/8 03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GRACE W.R. 6 1/4 02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HANSON 9 1/2 06 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HAWLEY 6 02 PREF	[illegible]	[illegible]	[illegible]	[illegible]	
HILLSDOWN 4 1/2 02 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
INTL PAPER 5 3/4 02	200	[illegible]	[illegible]	[illegible]	[illegible]
LAND SECS 6 3/4 02 £	54	[illegible]	[illegible]	[illegible]	[illegible]
MITSUBISHI BK 1 3/4 02	300	[illegible]	[illegible]	[illegible]	[illegible]
OGDEN 6 02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PACIFIC DUNLOP 6 3/4 97	75	[illegible]	[illegible]	[illegible]	[illegible]
TEXAS INSTRUMENTS 2 3/4 02	300	[illegible]	[illegible]	[illegible]	
THORN EMI 5 3/4 04 £	100	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price, the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

UK base rate cut takes gilt market by surprise

By Sara Webb in London and Karen Zagor in New York

THE BANK of England's base rate cut yesterday morning sparked a rise in short-dated UK government bonds and index-linked gilts, but left long-dated gilts lower on the day.

GOVERNMENT BONDS

The half-percentage point cut in the base rate to 10.5 per cent took the gilt market by surprise, and was taken as a sign that the government may be considering an autumn general election. Traders said a cut in the base rate had not been expected until September 13 at the earliest, when the August RPI figures are expected to show a sharp fall in the rate of inflation from 5.5 per cent in July.

Short-dated gilts gained slightly, with the 10 per cent gilt due 1996 rising 3/32 to trade at 100 19/32 by late afternoon. However, long-dated gilts fell back sharply, reflecting concern over the speed of the base rate cut. The benchmark 11¾ per cent gilt due 2003/07 fell to 112 25/32 from its opening of 113 1/32, flattening the yield curve slightly.

Index-linked gilts, which are often viewed as a hedge against political uncertainty by investors, rallied by almost a full point as the base rate cut fuelled speculation of an early general election.

■ GERMAN government bonds fell back on wage demand concerns, wiping out early gains.

News that Germany's powerful engineering workers union, I.G. Metall, is pushing for a 10 per cent pay increase at Volkswagen's plants led to worries about the forthcoming wage negotiations.

Traders said the market was worried that a high wage settlement could push up inflation and force the Bundesbank to raise interest rates again. The Liffe bund futures contract opened at 85.20, reached a high of 85.31 and fell back to 85.01 by late afternoon.

■ JAPANESE government bonds reached new highs on expectations of an imminent cut in the Official Discount Rate, but fell later to close slightly up on the day.

The benchmark JGB futures contract rose to a new high since January 1990 of 98.47, while the yield on the benchmark No 129 bond, which opened at 6.29 per cent, reached 6.265 before closing at 6.28 in Tokyo.

■ US Treasuries opened on a firm note but soon started drifting lower yesterday morning in thin trading in the absence of significant economic data.

At mid-session, the Treasury's benchmark 30-year bond was down ⅛ at 100 31/32, yielding 8.05 per cent. The two-year note was unchanged for a yield of 6.29 per cent.

The Federal Reserve added reserves to the banking system by arranging overnight repurchase agreements when Fed funds were trading at 6⅛ per cent. The open market operation was widely expected and did not indicate a change in policy, given that Fed funds were considerably above the Fed's perceived target of 5½ per cent.

The market's attention is now firmly fixed on tomorrow's US employment report, which may indicate the direction of monetary policy in the coming weeks. It is unlikely, however, that the Fed will ease on the data unless the employment numbers are extremely weak.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	107.7856	+0.128	10.72	10.64	10.95
BELGIUM		9.000	09/01	98.6500	+0.050	9.21	9.29	9.45
CANADA *		9.750	12/01	100.8250	+0.175	9.62	9.70	9.81
DENMARK		9.000	11/00	96.7250	+0.100	9.20	9.28	9.44
FRANCE	BTAN	8.500	11/96	97.5631	+0.080	9.09	9.15	9.30
	OAT	9.500	01/01	103.3700	-0.010	8.93	8.97	9.16
GERMANY		8.750	08/01	102.2400	-	8.41	8.44	8.59
ITALY		12.500	03/01	97.8100	-0.080	13.32	13.33	13.42
JAPAN	No 119	4.800	06/99	91.0147	+0.237	6.54	6.80	6.86
	No 129	6.400	03/00	100.6953	+0.168	6.28	6.43	6.52
NETHERLANDS		8.500	03/01	98.4300	-0.010	8.74	8.77	8.86
SPAIN		11.900	07/96	101.0000	+0.050	11.58	11.68	11.96
UK GILTS		10.000	11/96	100-19	+3/32	9.84	9.99	10.10
		10.000	02/01	100-30	-5/32	9.84	9.97	10.00
		9.000	10/08	94-18	-8/32	9.65	9.75	9.73
US TREASURY *		7.875	08/01	100-18	+1/32	7.79	7.86	8.06
		8.125	08/21	100-31	+2/32	8.04	8.10	8.25

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

Italian group awaits result in Dumenil Leble case

By Haig Simonian in Milan

A MILAN court should decide within the next five days on the case brought by Misafin, the small Italian finance house forced into liquidation last week, against Banq Dumenil Leble (Suisse), the financial institution controlled by Mr Carlo De Benedetti.

Misafin wants to sequester assets of up to L20bn ($15.26m) from Dumenil Leble, which last month informed Swiss legal authorities it was the victim of an alleged L100bn fraud involving missing Italian equities.

Dumenil Leble has rejected the claim by Misafin and two Italian stockbrokers that it held the shares as part of a repurchase agreement. Misafin and the brokers had demanded the return of the shares in time for the Milan bourse's scheduled settlement last month.

Dumenil Leble's decision, backed by Swiss magistrates, not to return any stock triggered the forced insolvency of Misafin and the two brokers and the postponement of the settlement day.

August settlement is now expected either this Friday or next Monday, according to bourse authorities.

Separately, in Canada, SFP International, the quoted company which has become indirectly involved in the affair, announced the resignations of Mr Riccardo Mortara and Mr Andrea Soave.

The two have been associated with Dominion Trust, the company controlled by Mr Roberto Caprioglio, the Italian financier at the heart of the affair.

SFP also said it was planning a C$18.8m private placement in order to improve the capital position of Société Financière Privée, the Swiss financial institution in which it has an 80 per cent stake.

Mr Simon Rosenfeld, SFP International's president, confirmed Dominion Trust, which is not linked to the Canadian trust company of the same name, owned C$1.5m in warrants in the company, giving it a stake in excess of 10 per cent if converted. However, he said no warrants had so far been exercised.

OFT drops syndication inquiries

By Simon London

THE UK Office of Fair Trading has decided not to pursue further its initial "polite inquiries" into new issue syndication practice in the Eurobond market.

The OFT wrote to seven leading Eurobond firms in July: Credit Suisse First Boston, Deutsche Bank Capital Markets, J.P. Morgan Securities, Nomura International, Paribas Capital Markets, Morgan Stanley International and UBS Phillips & Drew.

Yesterday, the UK competition watchdog said replies had now been received. The OFT said the replies were satisfactory and that it did not believe there was sufficient grounds for further action under restrictive trade practices legislation.

The OFT wrote to the firms asking them for information about new methods of syndicating bond issues which have been introduced into the international bond market over the past two years.

It also asked for an explanation of press reports that senior representatives of the seven had been meeting informally to discuss both syndication techniques and levels of fees paid to underwriters for different types of transaction.

The International Primary Markets Association (IPMA), the trade organisation of firms involved in underwriting new bond issues, yesterday welcomed the OFT's decision. IPMA publishes recommendations covering the syndication of new new bond issues, which are cleared with the OFT before release.

An OFT official said yesterday that the department which contacted the firms in July was not aware at the time that IPMA recommendations are cleared with the OFT.

Mr Michael von Bretano, IPMA chairman, said he was "not surprised to hear the news given that the new issues business in the Euro-capital market has always been highly competitive".

Ontario sets record Canadian dollar issue

By Simon London

A DAY of frenetic activity in the international bond market yesterday saw substantial new issues in five currency sectors, including the largest Canadian dollar issue yet seen in the Euromarket.

Province of Ontario came with a C$750m five-year issue, lead managed by Merrill Lynch. Omitted from the underwriting group was Deutsche Bank, which is expected to lead manage a deal for South Africa later this year. Other banks omitted because of South African links included Swiss Bank Corporation. The province has a policy of not dealing with any banks that have helped to provide new loans to South Africa.

INTERNATIONAL BONDS

The deal carries a coupon of 10 per cent and was priced to yield 50 basis points more than Canadian government bonds of the same maturity. This was in line with the secondary market price of bonds issued by Ontario Hydro, which is an agency of the province.

Participants reported strong demand from continental Europe and Japan in particular. Supported by this, the yield spread tightened to 48½ basis points by late afternoon.

The Eurodollar sector of the market has been the one notable area starved of supply in recent weeks; yesterday, this was reversed, with three contrasting deals totalling $850m launched at the seven-year maturity.

Chubu Electric Power, one of Japan's high-spending power utilities, came with a $350m deal, lead managed by UBS Phillips & Drew, and priced to yield 53 basis points over US Treasury bonds.

The utilities have been very heavy borrowers in their domestic market but less active in the Euromarket. Moreover, the companies are regarded more favourably by international investors than a few years ago and are strong credits. Chubu has a coveted triple-A credit rating from Moody's Investors Service and an AA+ rating from Standard & Poor's.

The deal saw strong demand, primarily from institutional investors, and the yield spread tightened to 51 basis points by the close.

Daimler Benz North America and Exxon Capital, two highly-rated and respected corporate names, came with $250m deals at the same maturity but aimed primarily at retail investors.

The deals, lead managed by Deutsche Bank Capital Markets and Swiss Bank Corporation respectively, both carry a coupon of 8 per cent. However, Daimler Benz came at a yield spread of 43 basis points over US Treasury securities, against just 30 basis points for Exxon.

SBC said the lower yield on the Exxon paper was justified by the higher triple-A credit rating of the borrower and the rarity of its visits to the Euromarket. Exxon has not borrowed in Eurodollars for two years.

Supply in the sterling sector continued, with Finland launching a £200m seven-year deal lead managed by S.G. Warburg. Finland has been a heavy borrower in recent weeks and is viewed by many investors as having declining credit quality. However, sovereign borrowers in Eurosterling are rare and participants in the deal reported good demand from continental European investors.

The bonds carry a coupon of 10⅜ per cent and were priced to yield 30 basis points more than UK government bonds, a yield spread which held during the day.

● ANZ Bank has won the mandate to syndicate a $50m loan for the Rice Export Corporation of Pakistan.

The loan will be guaranteed by the State Bank of Pakistan and will be used to finance a three-year programme of rice exports from Pakistan.

The borrower is paying one percentage point above the London Interbank Offered Rate (Libor) for the first year, after which the lending banks have the option of lending for a further one or two years.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Chubu Electric Power(a)†	350	8¼	99.65	1998	0.35/0.20	UBS Phillips & Drew Secs
Daimler-Benz N.America(a)†	250	8	100.40	1998	1⅞/1¼	Deutsche Bk Cap Markets
Exxon Capital Corp(a)†	250	8	101.139	1998	1⅞/1¼	SBC
STERLING						
Republic of Finland(a)†	200	10⅜	99.77	1998	0.30/0.15	S.G. Warburg Secs
CANADIAN DOLLARS						
Province of Ontario(a)†	750	10	101.168	1996	1⅞/1⅝	Merrill Lynch Int
GECC(b)†	100	10	100.175	1996	0.25/0.10	Wood Gundy Inc.
FRENCH FRANCS						
Interfinance Credit Nat.(c)†	500	8.90	99.50	2001	0.35/0.20	Societe Generale
YEN						
KG International(a)†	4bn	7	101.35	1995	1⅝/1.325	Yamaichi
LIRE						
Deutsche Bk.Finance(a)†	200bn	12	101⅛	1996	1⅞/1¼	BAI
SWISS FRANCS						
Tokyo Buhin Kogyo Co.(d)★★♦	35	5¼	100	1995	-	Banca d'Svizz.Italiana

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms a) Non-callable. b) Fungible with existing C$100m deal launched August 1991. c) At expiry, holder has option to re-invest in new bond issued at par. d) Callable on 2/10/92 at 101½% declining by ¼% semi-annually.

BNL joint stock plan wins approval

By Haig Simonian in Milan

BANCA NAZIONALE del Lavoro (BNL), the state-owned Italian bank, yesterday received the green light to change to a joint stock company, opening the way to a revaluation of its fixed assets.

Celebrations over the change, which the bank hopes will distance it from the 1989 scandal over unauthorised Iraqi letters of credit, have been clouded by friction over Federconsorzi, the collapsed Italian farm services group.

BNL has aroused considerable hostility in international banking circles following its refusal to take responsibility for L240bn in foreign loans to Agrifactoring, a factoring company linked to Federconsorzi. The BNL group owns 50 per cent of Agrifactoring.

Some of Agrifactoring foreign creditors are reportedly planning to use BNL's new status to trigger default clauses in loans to BNL, which would become immediately repayable.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Wed Sep 4 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Sep 3 Index No.	Mon Sep 2 Index No.	Fri Aug 30 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (183)	873.69	+0.3	9.70	5.54	12.69	23.87	871.47	875.65	866.19	753.51
2	Building Materials (24)	1117.76	+0.5	8.22	5.56	15.45	32.33	1112.26	1116.94	1113.80	942.27
3	Contracting, Construction (31)	1170.00	+0.5	9.03	6.68	14.65	33.40	1163.92	1173.73	1164.60	1170.12
4	Electricals (11)	2490.28	....	9.61	5.35	13.30	63.95	2489.36	2496.68	2467.22	2104.25
5	Electronics (24)	1827.06	+1.0	9.68	4.98	12.93	48.40	1808.70	1812.58	1775.79	1618.56
6	Engineering-Aerospace (8)	406.67	-0.8	16.80	6.17	7.14	12.11	409.91	409.53	407.68	429.33
7	Engineering-General (45)	498.15	+0.7	10.65	5.16	11.52	13.19	494.69	489.05	483.73	412.26
8	Metals and Metal Forming (8)	455.48	-0.8	14.87	7.75	8.23	17.15	459.30	462.95	454.47	422.30
9	Motors (12)	367.92	+0.9	8.08	6.53	15.75	12.70	364.72	364.94	360.87	307.98
10	Other Industrial Materials (20)	1669.06	-0.2	8.39	4.83	14.01	38.33	1671.80	1695.01	1673.34	1333.96
21	CONSUMER GROUP (188)	1582.87	-0.1	7.27	3.46	16.97	27.37	1584.26	1587.58	1567.58	1185.20
22	Brewers and Distillers (22)	1941.66	-0.2	7.91	3.44	15.41	34.70	1944.67	1945.88	1908.86	1461.02
25	Food Manufacturing (19)	1237.38	....	9.21	4.00	13.42	24.86	1237.25	1239.25	1235.10	1002.79
26	Food Retailing (17)	2730.35	+1.6	7.86	3.05	16.63	44.38	2688.26	2670.74	2655.93	2422.37
27	Health and Household (22)	3744.83	-0.6	5.17	2.31	22.04	35.03	3768.92	3802.79	3755.31	2295.15
29	Hotels and Leisure (23)	1392.39	-0.1	8.55	5.01	14.10	37.19	1393.29	1405.62	1383.84	1224.66
30	Media (26)	1518.72	-0.2	7.26	4.67	17.94	41.56	1522.21	1514.84	1495.11	0.00
31	Packaging, Paper & Printing (18)	779.46	-0.2	7.24	4.22	16.70	16.35	780.84	780.34	771.08	520.59
34	Stores (32)	1034.29	-0.3	7.37	3.60	17.70	17.96	1037.21	1037.47	1020.64	781.52
35	Textiles (9)	614.78	+0.5	7.74	5.04	16.40	14.09	611.56	610.08	605.70	420.49
40	OTHER GROUPS (109)	1299.19	....	9.32	4.99	13.44	32.75	1299.87	1304.42	1286.66	1020.76
41	Business Services (12)	1430.86	+0.8	7.54	4.58	16.41	30.08	1420.13	1418.26	1406.58	0.00
42	Chemicals (21)	1506.49	-0.4	6.74	4.79	18.33	46.15	1513.23	1520.52	1501.40	1040.36
43	Conglomerates (10)	1510.08	-0.9	9.86	6.99	12.24	35.17	1524.05	1535.35	1521.74	1408.41
44	Transport (13)	2355.03	+0.4	7.65	4.55	16.19	62.68	2345.28	2346.47	2318.89	1956.76
45	Electricity (16)	1238.22	+0.5	14.15	5.26	9.04	27.53	1231.67	1239.24	1226.54	0.00
46	Telephone Networks(4)	1569.65	-0.3	9.40	3.87	13.92	28.34	1574.89	1577.91	1551.04	1137.50
47	Water(10)	2503.23	+1.7	16.34	6.15	6.77	118.37	2461.92	2447.37	2371.99	1909.59
48	Miscellaneous (23)	1940.19	-0.2	5.16	5.20	26.83	47.96	1943.83	1958.56	1938.28	1509.80
49	INDUSTRIAL GROUP (480)	1319.74	....	8.40	4.35	14.76	28.74	1319.88	1323.93	1307.27	1033.97
51	Oil & Gas (20)	2484.98	-0.4	10.53	5.54	12.53	78.32	2495.00	2501.69	2481.82	2493.49
59	500 SHARE INDEX (500)	1419.76	....	8.66	4.50	14.44	32.69	1420.60	1424.90	1407.79	1152.69
61	FINANCIAL GROUP (92)	844.33	....	-	5.52	-	27.93	844.25	844.20	835.42	707.81
62	Banks (9)	985.74	-0.1	4.32	5.41	43.39	36.83	986.66	986.62	977.56	763.53
65	Insurance (Life) (7)	1632.53	+0.4	-	5.08	-	42.61	1626.17	1629.31	1607.75	1349.74
66	Insurance (Composite) (6)	675.46	....	-	6.50	-	25.81	675.74	677.64	666.54	587.72
67	Insurance (Brokers) (9)	1142.23	-1.1	7.17	5.91	18.25	35.66	1154.60	1165.61	1164.42	837.69
68	Merchant Banks (7)	449.02	-0.1	-	4.67	-	12.16	449.34	448.37	443.67	384.96
69	Property (36)	950.64	+0.2	6.02	4.90	22.88	22.40	948.82	943.27	933.28	938.05
70	Other Financial (18)	265.75	+0.6	10.81	6.82	11.58	8.67	264.10	262.50	262.69	256.80
71	Investment Trusts (69)	1257.97	....	-	3.43	-	24.33	1257.76	1253.97	1242.95	1063.68
99	ALL-SHARE INDEX (661)	1279.89	....	-	4.61	-	31.08	1280.51	1283.65	1268.62	1045.08

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 3	Sep 2	Aug 30	Aug 29	Aug 28	Year ago
FT-SE 100 SHARE INDEX‡	2664.6	-4.4	2679.9	2657.7	2669.0	2679.6	2645.7	2638.2	2624.2	2152.2

FIXED INTEREST

	PRICE INDICES	Wed Sep 4	Day's change %	Tue Sep 3	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	122.45	+0.11	122.31	2.38	7.71
2	5-15 years (27)	133.89	+0.01	133.88	1.91	9.52
3	Over 15 years (9)	142.55	-0.26	142.92	2.36	8.42
4	Irredeemables (6)	157.09	-0.15	157.33	2.36	8.83
5	All stocks (70)	132.64	+0.01	132.62	2.15	8.90
	Index-Linked					
6	Up to 5 years (1)	163.34	+0.29	162.86	1.05	2.72
7	Over 5 years (10)	148.16	+0.61	147.26	0.62	3.15
8	All stocks (11)	149.18	+0.60	148.29	0.64	3.14
9	Debs & Loans (58)	112.45	+0.36	112.04	2.19	7.35

	AVERAGE GROSS REDEMPTION YIELDS		Wed Sep 4	Tue Sep 3	Year ago (approx.)
	British Government				
1	Low	5 years	8.72	8.79	10.96
2	Coupons	15 years	9.57	9.54	10.96
3	(0%-7¾%)	20 years	9.57	9.54	10.96
4	Medium	5 years	9.83	9.86	12.02
5	Coupons	15 years	9.74	9.71	11.53
6	(8%-10¾%)	20 years	9.71	9.66	11.38
7	High	5 years	10.02	10.04	12.12
8	Coupons	15 years	9.84	9.82	11.79
9	(11%-)	20 years	9.76	9.73	11.66
10	Irredeemables		9.77	9.75	11.06
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.79	3.89	4.77
12	Inflation rate 5%	Over 5 yrs.	4.22	4.27	4.32
13	Inflation rate 10%	Up to 5 yrs.	2.84	2.94	3.64
14	Inflation rate 10%	Over 5 yrs.	4.04	4.08	4.14
15	Debs &	5 years	11.52	11.54	14.02
16	Loans	15 years	11.28	11.33	13.02
17		25 years	11.11	11.15	12.85

‡Opening index 2658.6; 9 am 2662.3; 10 am 2668.8; 11 am 2671.4; Noon 2669.2; 1 pm 2669.3; 2 pm 2669.4; 2.30 pm 2669.4; 3 pm 2670.1; 4.10 pm 2664.0; (a) 10.12am (b) 8.35am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	53	27	3
Corporations, Dominion and Foreign Bonds	4	6	10
Industrials	352	200	952
Financial and Properties	145	95	503
Oils	9	18	61
Plantations	0	0	10
Mines	37	19	99
Others	19	62	63
Totals	619	427	1,701

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covd.	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
[illegible]							

[illegible]

TRADITIONAL OPTIONS

- ● First Dealings Aug. 19
- ● Last Dealings Sept. 6
- ● Last Declarations Nov. 21
- ● For settlement Dec. 2

For rate indications see end of London Share Service

Calls in Amstrad, Burton, Conroy Pet., Evode and Premier Cons. Put and call Rosehaugh.

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
Alld Lyons (*613)	550	71	80½	97½	3	9½	13½
	600	32	47	64½	14½	25½	30
Unilever (*767)	750	34½	52½	65½	12	22½	29½
	800	9½	27½	40½	39½	47½	52½
Eurotunnel (*485)	460	33½	58	75	5½	20½	30
	500	13	35½	55	23½	37½	50
[illegible]							

UK COMPANY NEWS

Coats Viyella falls 12% in first post-Tootal results

By Jane Fuller

COATS VIYELLA'S first set of results since the £241m acquisition of Tootal, its textile rival, showed a 12 per cent fall in pre-tax profit, from £54.9m to £48.1m, in the first half of the year.

Turnover declined to £877m (£912.7m): Tootal's one-month contribution of £41.9m was more than offset by disposals.

Operating profit fell to £50.6m (£58.9m), with Tootal making £3.2m. Profits grew from an exchange gain of £5.4m, but a similar figure was knocked off for reorganisation.

Mr Neville Bain, who became chief executive a year ago, said the combined group's central overheads were being cut by £8m, including shedding about half the top management from either side. Operational savings should amount to about £20m a year through better purchasing, amalgamations, closures and redundancies.

Two things he had noticed as a relative newcomer to the business, from Cadbury Schweppes, was the need for better exploitation of brands, such as Jaeger and Sylko, and the quick response that had to be made to recession.

Harsh trading conditions affected the group in the UK, where sales fell to £405.6m (£444.2m), and in both South and North America.

Dewhirst Group, the clothing and toiletries company, is buying two ladieswear businesses from Coats Viyella for £14.1m.

It is acquiring Slimma, which supplies Marks and Spencer with ladies trousers, blouses and skirts, and a related garment factory in *Malaysia. Mr Scott Beattie,* company secretary, said this would add about £40m annual turnover to Dewhirst's £120m.

Dewhirst had about £2.5m cash at its January year-end and would pay for the businesses in cash and shares.

Thread sales improved to £389.6m (£367.7m), but there was little like-for-like growth. Although crafts were strong, profits from Brazil were greatly reduced.

In garments and retail, sales improved to £212.4m (£187.1m) with the help of a revival in knitwear, but Jaeger's margins suffered as consumer spending was squeezed. Homewares – mainly bed linen and carpets – were similarly affected.

The worst line was fabrics, where sales slid to £87.8m (£155.8m) partly because of disposals, but also because of a poor UK performance. Cuts had been made and there were more to come.

Precision engineering, a niche business called Dynacast, contributed £53m (£60.5m) to turnover.

Gearing post-Tootal stood at 59 per cent including convertible bonds as debt, 40 per cent treating them as equity. Net debt of £340m included £85m brought in with Tootal and about £180m borrowed to pay the cash element of the purchase.

Debt was being reduced by business disposals – £44m had already come in – by property sales and cash-flow improvements. The target was to bring in between £100m and £200m over two years.

Earnings per share fell to 4.28p (4.98p) and the interim dividend is held at 3p.

See Lex

Croda cuts pay-out by a third after 41% decline to £10m

By Richard Gourlay

CRODA International, the chemicals group, yesterday said it was cutting its interim dividend by a third after reporting a 41 per cent fall in profits.

Mr Michael Valentine, chairman, said the poor results, which were caused by the longer-than-expected recession, had forced the company's first dividend cut since it came to the market.

Maintaining the dividend would have led to an unacceptable increase in tax arising from payment of advance corporation tax.

Pre-tax profits fell from £17.2m to £10.2m in the half year to June 30, on sales down 9 per cent at £173.7m. Earnings per share fell from 8.9p to 5.1p and the dividend is cut from 4.1p to 2.75p.

Mr Valentine said profits in the UK, the US and Australia had been hard hit by the recession. Trading for the remainder of the year would continue to be dominated by the weak economies and "political uncertainty."

Profits in speciality chemicals fell 37 per cent because of a reduction in volume and higher interest costs.

Surface coatings had to contend with a sharp drop in demand. In the UK as a whole, sales of paint had fallen by 20 per cent over the past year, reflecting the depth of the recession, Mr Valentine said.

Gearing at the half year was about 45 per cent and would remain at that level.

Michael Valentine: profits hit hard by the recession

● COMMENT

Shareholders have some right to be angry about the reduced dividend, even though the thin earnings cover in the past should have rung some alarm bells. Having spent five years improving efficiency and cutting costs, Croda had passed the peak of its capital expenditure programme and should have been facing easier times. Given the severity of the recession, however, the company had little option but to stop paying nearly all its profits back to shareholders instead of expanding the business and reducing debt. Other companies may well be forced to do likewise before this reporting cycle is over. For the full year, Smith New Court is forecasting pre-tax profits of £21m, giving 10.8p of earnings, and a prospective multiple after today's share price fall of 14.8.

NEWS DIGEST

Acquisitions behind 60% rise at Oriel

ORIEL GROUP, the insurance broker, reported a 60 per cent advance in pre-tax profit, from £1m to £1.6m, in the half year to June 30.

The results included Hayward & Company, the acquisition of which was completed in July.

Earnings rose by 47 per cent to 7.55p (5.15p), but by 20 per cent if effects of merger accounting are removed.

The interim dividend is up to 1.8p (1.5p).

Mr Nigel Cayzer, chairman, said commercial insurance broking activities continued to perform well in a *difficult market.*

CGA Insurance Brokers, acquired in February, was in line with expectations, as was Hayward.

Lloyds Bank estate agencies disposal

Black Horse Agencies, the *estate agency* arm of Lloyds Bank, has sold most of its commercial and agriculture business to local management groups for £1.4m.

About half of the seven businesses to be sold operate out of premises shared with Black Horse residential estate agency branches and will continue to do so.

Mr David Woodcock, operations director at Black Horse Agencies, described the sale as a friendly parting of ways. He said that the businesses being sold had been profitable in the past but declined to give an indication of their current trading performance.

The deal leaves Black Horse with a network of 400 estate agency branches.

Merivale Moore buys estate for £20m

Merivale Moore, the property investment and development group, has paid nearly £20m on 130 luxury flats and 75 garages on the Queensmead estate in St John's Wood, London. The seller is Norwich Union.

Wm Bedford runs up £76,000 loss

A further decline in trading conditions through the opening six months of 1991 left William Bedford, the USM-quoted antique dealer, £76,018 in the red.

Mr John Bedford, chairman, said trading conditions during the period probably reached their lowest ebb since 1945.

As a consequence of rationalisation, Mr Paul Hardy *resigned as a director.* Compensation of £85,375 for his loss of office was taken above the line as was a credit of £112,950 arising from a disposal.

The loss, which compared with previous profits of £12,282, was struck from turnover of £816,739 (£1m). Losses per share emerged at 1.07p (earnings 0.2p).

For the second six months of 1990 the Hampshire-based company incurred a loss of £270,989 leaving the full year deficit at £258,707 (profits £265,345).

Stat-Plus declines 18% to £2.4m

Stat-Plus, a retailer of office and legal stationery, reported a near-18 per cent fall in profits to £2.43m pre-tax for the first half of 1991.

The downturn from last time's £2.96m came on turnover some 11 per cent lower at £5.33m. Earnings declined to 7.25p (8.7p) but the interim dividend is stepped up from 2.75p to 3.125p.

Directors said the acquisition in August of Leicester Law Stationers should increase the customer base by 1,500 and add some £3m to annual turnover. The shares closed 7p higher at 255p.

Betacom bounces back into profit

A strategy of European expansion, together with the success of its Classic and Venture ranges in the UK, helped Betacom to return to profit in the first half in spite of an increasingly competitive domestic market.

Pre-tax profit of £129,000 was achieved on sales of £6.12m in the six months to June 30, compared with a loss of £589,000 on sales of £7.3m last time. Earnings per share came to 0.41p (1.89p losses).

The telecommunications group said sales fell by 16 per cent, caused mainly by retail trade destocking.

PUBLIC WORKS LOAN BOARD RATES

Effective September 4

	Quota loans*		
Years	EP†	††	maturity‡
1			10½
Over 1 up to 2	10½	10½	10⅝
Over 2 up to 3	10½	10⅝	10⅝
Over 3 up to 4	10⅝	10⅝	10½
Over 4 up to 5	10⅝	10⅝	10½
Over 5 up to 6	10⅝	10½	10⅝
Over 6 up to 7	10½	10½	10⅝
Over 7 up to 8	10½	10½	10¾
Over 8 up to 9	10½	10⅝	10¾
Over 9 up to 10	10⅝	10⅝	10⅞
Over 10 up to 15	10¾	10⅞	10⅞
Over 15 up to 25	10⅞	10¾	10¾
Over 25	10¾	10¾	10¾

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). ‡With half-yearly payments of interest only.

UK COMPANY NEWS

Decline in demand leaves T&N down 56%

By Richard Gourlay

T&N, the automotive components and engineering materials supplier, yesterday reported a *56 per cent fall in* interim profits reflecting a decline in demand across the board in the UK, US and Europe.

Pre-tax profits fell to £20.3m (£46.1m) on sales up 12 per cent at £698m following the acquisition of JPI, the US vehicle parts company, last year.

The group made a £7.6m provision against redundancies, bringing to an end a two-year programme that will cut 5,000 jobs at a cost of £22m.

Earnings fell from 10.97p to 2.82p but the interim dividend is maintained at 3.6p.

Mr Colin Hope, chairman, said that apart from some modest improvement in the US, there were few signs of recovery in demand and that significant upturn was unlikely before 1992.

He said the company was in much better shape to take advantage of any upturn. In addition to the slimmer workforce, it had spent £180m on new plant and equipment and had maintained its research and development budget.

However, the drop in UK profits led to a jump in the tax charge to 45 per cent partly due to a higher advance corporation tax write-off.

Auto components sales fell from £389m to £356m on the pre-JPI business, while profits fell from £34.1m to £18.9m. JPI contributed sales of £110m and profits of £7.6m. Mr Hope said there were signs that this sector was beginning to improve.

Engineering and industrial sales were virtually unchanged at £232m but profits fell to £21.4m (£31.9m) in the pre-JPI business – JPI contributed £2.5m. This was due to falling aerospace, consumer and engineering demand in the UK.

The division also suffered because of difficulties faced by Rolls Royce, T&N's largest customer for turbine components.

● COMMENT

T&N's is a tale of dramatic contrasts. Capital spending, rationalisation and R and D over the last two years have placed it in an excellent competitive position in its industry. But for investors this effort has brought an uninspiring return, and the copmany has been an almost perennial demander of cash. In the short term, it is hard to argue against strong recovery when the economy turns around. A profits recovery will reduce the tax rate as ACT write-offs are reduced and the group now has a considerably more efficient, but not reduced, productive capacity. Longer term, it is questionable whether European car makers, under attack from the Japanese, will put up with the doubling of T&N's margins which will have to underpin any substantial growth in dividends. This may be a stock to remember to sell a year after the recession ends. For the full year Warburg Securities is forecasting £65m of profits, and 5p of earnings on a 45 per cent tax charge.

George Walker to quit after refinancing

By Robert Peston

MR GEORGE Walker, the deposed chief executive of Brent Walker, said yesterday that he would resign as a director of the troubled leisure group if the refinancing goes ahead, but he will resist attempts by his fellow directors and banks to oust him prior to completion of the refinancing.

Brent Walker will, in the next few days, send out a notice convening an extraordinary meeting with the aim of seeking to remove Mr Walker and Mr John Hemingway as directors.

The 47 banks involved are confident that they will win the vote. On this occasion, they need a simple majority to succeed. In an earlier abortive attempt to oust Mr Walker at a *shareholders' meeting in July,* a 75 per cent majority was needed. The motion failed, but more than half the votes were cast against Mr Walker.

The removal of Mr Walker and Mr Hemingway from the company is a condition of the refinancing, according to a note in the annual report for 1990, which was belatedly published yesterday. Brent Walker will go into receivership without the refinancing.

The annual report also gives more details of the bitter disputes between Mr Walker, founder of the group, and the new directors.

The company is claiming that Jasaro, Mr Walker's family trust, owes it £15m on the trust's purchase from the company of French vineyards in *1989. However, the trust wants* repayment of £10m which it lent to Brent Walker.

There is also a dispute about the transfer to Heatrace Properties of a building in Holborn, London, which was formerly the headquarters of Brent Walker's betting shops. Mr Jason Walker, Mr Walker's son, has an interest in Heatrace.

Mr George Walker said yesterday that his family had taken control of the property to offset a £3m loan he made to Brent Walker. He said the property was worth only £1.5m.

The report also discloses that Mr Walker was paid £606,000 last year. Mr Walker said he was furious that the company had not made it clear that £300,000 of this was a bonus earned in 1988.

Another note to the accounts indicates that the company *made some unexpected investments* in the last couple of years. In 1990, it bought a 10 per cent shareholding in Tunis International Bank.

Mr Walker said this stake was acquired at the same time as the company was working with Tunis on a leisure development in Tunisia. He also disclosed that the bank helped find buyers for about £2m of the company's convertible bonds, which were issued last December.

In November and December, Brent Walker's Netherlands subsidiary acquired a holding in Power Corporation, the Irish group which is joint owner with Brent Walker of a property developer, Walker Power.

Brent Walker also has a shareholding in Arab Banking Corporation – one of the banks which has loans to the company.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Amec	int	4†	Dec 31	3.875	-	10.125
American Trust	int	1.5	Oct 16	• 1.45	-	4.7
BAT Inds	int	11.6☆	Jan 3	10.7	-	31.1
Coats Viyella	int	3†	Jan 3	3	-	7
CRH	int	2.15♣	Oct 8	2	-	6
Croda	int	2.75	Dec 2	4.1	-	11
Hillsdown	int	2.2†	Dec 31	2	-	8
Instem §	int	1.2	Nov 29	1.2	-	2.85
IoM Steam Packet	int	3	-	2	-	8
Nestor-BNA	int	1.15†	Oct 31	1.15	-	3.15
Oriel	int	1.8†	Oct 10	4.51.5	-	
Senior Eng	int	1.2	Nov 29	1.08	-	2.86
Stat-Plus	int	3.125	Oct 18	2.75	-	6.25
T&N	int	3.6†☆	Nov 18	3.6	-	10.85
Wimpey (George)	int	4	Oct 25	4	-	10.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency. ☆Carries scrip option.

Akzo may bid for Macpherson

By Ian Hamilton Fazey, Northern Correspondent.

Akzo, the Netherlands-based chemicals group, has refused to comment on reports that it is negotiating to buy Macpherson, one of the largest paint companies in Britain, from Tikkurila of Finland for £40m. Macpherson also refused to comment.

Tikkurila, the paints subsidiary of the state-owned Kemira Oy chemicals concern, bought Macpherson – best-known as the manufacturer of Woolworth's paint range – for £25m, in a competitive auction six years ago. Akzo, one of the fastest growing coatings companies in the world, gained a foothold in Britain by buying Blundell Permoglaze at around the same period.

The reports emanate from a document trades union leaders at Macpherson's factory in Bury, Greater Manchester, "intercepted". Mr Mike Willis, branch officer of the Management, Science and Finance Union, said: "The document makes it clear that a firm bid from Akzo is near completion."

IoM Steam buoyed by results

ISLE OF Man Steam Packet Company yesterday boosted its chances of resisting the attentions of Sea Containers by turning in half-year pre-tax *profits of £821,000, against last* year's £656,000, writes Sue Stuart.

The interim dividend is raised by 1p to 3p on earnings of 5.5p (4.4p).

Sea Containers already holds 41 per cent of the Steam Packet. Mr James Sherwood, president of the Bermuda-based group, said after meetings last month with the ferry company and the Manx government that he was disposed to make a further bid.

Speculation is rife on the island that he may do so following publication of the results.

Sea Containers last year withdrew an offer for control of the company following a threat by the Manx government to introduce retrospective legislation limiting shareholding in the Steam Packet.

That offer, of 115p per share, was described by Mr Norman Corlett, Steam Packet's chairman, as derisory.

Mr Corlett said yesterday's results stemmed from the last five years' rationalisation programme and that "the current share price of around £2 underlines my contention last summer that Sea Container's bid price was wholly inadequate."

The shares closed unchanged yesterday at 196p.

Amec declines by 25% and sees no signs of improvement

By Andrew Taylor, Construction Correspondent

THE RECESSION in the construction industry reduced pre-tax profits of Amec, the contracting, engineering and property group, by almost a quarter from £28.6m to £21.9m in the first six months of this year.

In spite of the profits fall, the company's share price rose by 15p to 218p on the grounds that the interim results were better than many construction companies were likely to produce over the next few weeks.

Mr Alan Cockshaw, chairman, warned that there was unlikely to be any substantial improvement in profits until 1993, even though the industry was now probably at the bottom of the recession.

The company, nevertheless, is increasing its interim dividend from 3.875p to 4p.

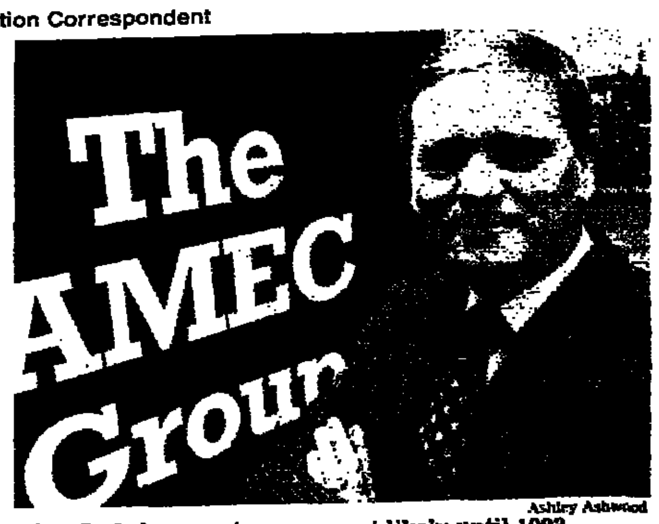
Mr Cockshaw said the decision demonstrated directors' confidence in the group's financial strength.

Following a £110m rights in *the spring, the group is* thought to have net cash of about £60m.

At the corresponding stage last year the group had net borrowings of £50m – equivalent to about 15 per cent of shareholders' funds.

Earnings per share, after allowing for the effects of the rights issue, fell from 7.8p to 6p.

Some of the cash raised has been used to acquire Hawker Siddeley power transmission and a stake in Serete, a French engineering group. Amec is expected to announce shortly a further strengthening of its growing European engin*eering and construction* interests.



Ashley Ashwood

Alan Cockshaw: no improvement likely until 1993

The company's strengths in the first half of this year included its oil, gas and petrochemical businesses. Civil engineering also held up well as higher margin contracts won in the late 1980s started to come through as profits.

Mr Cockshaw said building and civil engineering profits had risen from £10.1m to £11.6m, in spite of a dip in turnover from £416m to £390.1m.

Mechanical and electrical engineering profits had fallen from £21.7m to £13m, mainly due to delayed payments on "four or five" contracts.

The weakest area during the first half was the housing and property division where losses, almost entirely due to housing, rose from £600,000 to £1.3m.

The group expects to sell about about 1,400 houses this year, about the same as in 1990. At its peak in 1988 the group was building about 2,000 homes a year.

See Lex

Fidelity plans European trust

By John Authers

FIDELITY Investment Services, the fund management group, plans to launch an investment trust to invest in European companies.

The move surprised many observers, as Fidelity has built up its fund management operations in the UK exclu*sively using open-ended unit* trusts, rather than investment trusts, which are closed-end funds with quoted shares.

The new company, to be called Fidelity European Values, will be launched next month sponsored by UBS Phillips & Drew, the securities house. Mr Anthony Bolton, the fund manager, will aim to achieve long term capital growth in continental European markets.

Phillips & Drew will place £20m with institutions in advance, and intends to underwrite another £20m which Fidelity would hope to raise from public flotation. The capi*tal structure is unusual – the* trust will have one free warrant for every five ordinary shares, and institutions can also buy loan stock linked to the FT-A Europe (ex-UK) Index. This loan stock will come to 25 per cent of the total ordinary shares issued.

Fidelity will aim this trust, and subsequent investment trusts which it hopes to launch, at institutional investors, rather than at the retail market. However, Mr Barry Bateman, managing director, said he regarded strong investor confidence on the retail side as important if the shares are not to trade at a substan*tial discount to net asset value.*

Planned incentives for private investors include a savings scheme allowing payments of as little as £50 per month, which will have no set-up charge, and a personal equity plan, which will have a front-end fee. Fidelity's annual management fee will be 1 per cent.

UK COMPANY NEWS

Senior beats gloom with £8.77m

By Andrew Bolger

SENIOR Engineering Group brightened a sector engulfed in recessionary gloom when it announced an 8 per cent increase in pre-tax profits, from £8.15m to £8.77m, for the six months to June 30.

The group, which specialises in ductwork, heat treatment and tubes, achieved the profits growth in spite of a 9 per cent fall in turnover to £142.3m (£156.6m).

Mr Donald McFarlane, managing director, said action to cut costs had improved margins.

The workforce had been reduced by about 10 per cent since last June to about 5,000 worldwide and working capital had been cut in line with sales.

The interim dividend is raised to 1.2p (1.08p).

Earnings per share rose from 3.1p to 3.15p in spite of an increased tax charge.

Mr McFarlane said the group's construction services companies, which supply ducting and ventilation systems to large projects such as Sizewell power station, had a good start and looked set to produce satisfactory profits for the year.

The engineering products division, which makes rigid and flexible tubes, had suffered *most from reduced demand*, but continued to make money from lower volumes. Sales in some areas were down 25 per cent, but there was good demand for pressure tube from the generation industry and for flexible tubing.

Mining equipment companies had recovered from last year's poor results and a much improved outcome was expected for 1991.

Thermal engineering companies also produced better results in the UK, partly due to reducing costs.

Mr McFarlane said he was concentrating on increasing the group's international exposure, particularly in Europe. Of some six or seven acquisition opportunities being examined, one or two were likely to come off. He wanted to expand the construction services, flexible hose and control equipment businesses.

A total of £10m has been spent on two further heat treatment plants in Spain, plus the purchase of Nordklima, an air handling business in Germany, and Calorstat, a French flexible hose business.

The group said that even after these acquisitions, gearing amounted to only 13.8 per cent.

Donald McFarlane: focus on Continent

Second-half warning as CRH drops 31%

By Peggy Hollinger

BAD WEATHER and recession in the US and UK reduced interim pre-tax profits by 31 per cent at CRH, the Dublin-based international building materials group.

The company warned that profits in the second half would be lower than the previous year.

However, Mr Jack Hayes, managing director, said they would not drop as sharply as in the first six months.

Pre-tax profits for the half year to June 30 fell from I£30.8m to I£21.1m (£19.2m). Turnover was down 5.5 per cent to I£571m.

The most severe winter in four years hit trading in Ireland, the UK and the Netherlands, said Mr Tony Barry, chief executive.

The UK, which claims a third of group turnover, was the hardest hit. Continental Europe, mainly Spain, Germany and the Netherlands, continued to perform satisfactorily, he said.

Business in the US was depressed by the effects of recession and uncertainty surrounding the Gulf war.

Earnings per share came to 7.21p (8.8p). The interim dividend is increased by 7.5 per cent to 2.15p (2p).

"We have a progressive dividend policy," said Mr Hayes, "and although profits are down in the short-term, we feel we have good prospects." Dividend cover was about 2.7 times and should be at least three by the year-end.

Included above the line were provisions of I£3.1m (I£1.4m) for supplemental interest on I£123.7m convertible capital bonds. This was in response to changes in accounting standards.

Gross debt, including the convertible bonds, was I£601.5m. Gearing, taking the convertible bonds as debt, was 60 per cent. If the bonds were taken as equity, gearing would be 14 per cent.

Mr Hayes said, however, that those figures would be nearer to 40 and 10 per cent respectively by the year-end if no further acquisitions were made.

Instem static at £507,000

Instem, the USM-quoted electronics and information group, returned virtually static profits of £507,000 for the six months to June 28.

The rise of just £2,000 was scored from turnover of £7.87m (£5.35m). Earnings came to 7.21p (7.07p) per share and the interim dividend is again 1.2p.

Nestor-BNA falls 33%

INTERIM PROFITS from Nestor-BNA, which runs nursing agencies, hospitals and nursing homes and doctors' deputising services, suffered a setback in the 24 weeks to June 14.

Turnover was maintained at £46.9m, but pre-tax profit declined 33 per cent to £2.39m (£3.54m) after £280,000 exceptional costs of reorganising the UK nursing agencies division.

The year started well with increasing revenues and profits, but that trend reversed in April and May. June, however, saw an overall improvement, according to Mr John Hann, chairman.

Every division was profitable and producing cash, he added.

Turnover in the UK nursing agencies division fell 19 per cent and operating profits by 59 per cent. There was a 43 per cent reduction in NHS business, reflecting the impact of spending restrictions. Further exceptional costs will arise in the second half.

MRA, the US travel nursing division, increased turnover substantially and operating profit from £825,000 to £1.35m although margins were reduced.

The specialised personnel businesses produced profits at less than half the level of a year ago.

Earnings per share fell to 2.58p (4.4p) and the interim dividend is again 1.15p.

Addison back in profits

GOOD turnover growth in continuing services and improved margins helped Addison Consultancy Group return to profit in the six months to June 30.

The pre-tax figure of £40,000 was achieved on sales of £8.21m. The comparable period saw losses of £239,000 on sales of £9.89m.

After the previous interim result a regrouping was undertaken to create a market research and marketing information consultancy trading under the Taylor Nelson banner.

Directors expect that the upturn will accelerate in the second half.

For the period under review earnings per share of 0.06p were recorded (0.36p losses). There is again no interim dividend.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 05.09.91 — Pool purchase price £/MWh	Final Prices for Trading on 08.08.91 — Pool purchase price £/MWh	Pool selling price £/MWh
0030	14 07	15 62	15 62
0100	14.07	15.50	15.50
0130	16.25	15.48	15.48
0200	14.07	15.49	15.49
0230	16.27	15.48	15.48
0300	18 25	15.48	15 48
0330	18.19	15.48	15.48
0400	18.19	15 48	15 48
0430	18 19	15 48	15.48
0500	18.19	15.48	15.48
0530	16.25	15 49	15.49
0600	18.32	15 50	15.50
0630	18 08	15 62	15.62
0700	19.39	17 47	20 88
0730	22.23	17 88	21.28
0800	22.39	17.88	21.27
0830	23.68	18.73	22.13
0900	24.24	18.75	22 14
0930	27 60	21 19	24 85
1000	27.87	21 19	24 88
1030	27 91	21.19	24.88
1100	27.88	21.19	24.88
1130	25 44	21 19	24.88
1200	25.67	21.19	24 88
1230	25.10	26 12	29 69
1300	24.30	26.12	29.69
1330	26 25	21.19	24.88
1400	26 15	21.92	21 92
1430	23.35	21 18	24.84
1500	23.34	21.19	24.84
1530	23.36	33.29	37.06
1600	23.47	33.29	37 04
1630	23.65	33.29	37.06
1700	26.44	21.27	24 71
1730	26.29	21.27	24.71
1800	26.08	21.27	24.71
1830	23.23	21.80	21.80
1900	18 64	21.92	21 92
1930	23.70	21 92	21.92
2000	24.02	16.33	16.33
2030	22.66	21.92	21 82
2100	23.25	21.32	24.80
2130	22.87	21.32	24.76
2200	22 62	21 32	24 75
2230	19.54	21.32	24.76
2300	18.80	19 37	22.79
2330	18.60	17 47	20.84
2400	18 12	15 83	15.83

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision

NGC Settlements Limited

UK COMPANY NEWS

Shaky footings underpin crumbling market

Andrew Taylor documents the decline of George Wimpey, a giant with feet of clay

GEORGE WIMPEY, the former west London stonemason which grew and grew to dominate the UK construction industry in the 1950s and 60s, has embarked on a fresh attempt to reverse the long-term decline in its fortunes.

Mr Joe Dwyer, the 51-year-old chief executive who yesterday announced a pre-tax profit of just £200,000 for the first six months of this year, has launched a wide-ranging review of Wimpey's operations.

The company, which has eschewed a rights issue, says that "substantial" disposals will have to be made to raise cash for new investment so that it can refocus its business.

The £110m proceeds from the recently announced sale of Wimpey's 50 per cent stake in the Little Britain property development in London will not become available until the second half of next year.

In the short term the company needs money badly, both to replenish its UK housing land bank, which has been run down during the recession, and to re-equip its quarry businesses in the UK and US.

Thirty years ago, Wimpey consistently generated twice as much pre-tax profit as John Laing, its nearest rival, and three times as much as Taylor Woodrow, then the UK's third largest construction company.

Since then it has lost its preeminence. Only four times during the past 13 years have pre-tax profits surpassed the £54.9m Wimpey made in 1980. Last year's pre-tax profits of £43.3m were £11.6m lower than those of 1980 and £13.9m lower than the £57.2m profits of 1978.

The group, which was once Britain's biggest builder of local authority homes – it built 20,000 of them in 1965 – has struggled to overcome its dependence on the UK housing and property markets which plummeted at the end of the 1980s.

By comparison, broadly-based construction, engineering, property and building materials companies – such as Taylor Woodrow, Amec, Tarmac and Trafalgar House – have developed a range of businesses which has left them less susceptible to property market recessions. All are hurting but not as badly as Wimpey.

Wimpey has made previous attempts to reshape itself. Sir Clifford Chetwood, chairman and former chief executive, substantially reorganised and reduced Wimpey's cumbersome and top-heavy management during the early 1980s. Across the company, more than 9,000 jobs, including many tiers of managers, were axed in the space of 2¼ years.

In addition to its UK aggregates business, Wimpey has developed other specialist and offshore engineering interests. It has moved into waste management and is one of the country's biggest open-cast coal operators. Unfortunately none of these businesses had been developed to sufficient size to cushion the group against the steep falls suffered by the property markets.

An expansion into US housing and aggregates was confounded when the UK and US construction markets collapsed simultaneously at the end of the 1980s.

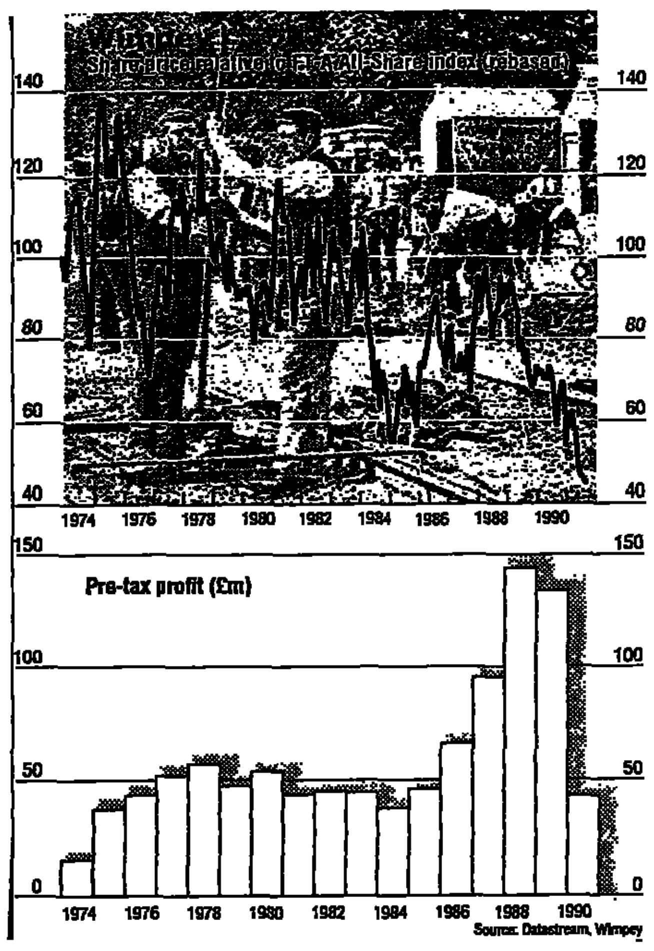
More than 34 per cent of Wimpey's shares are held by Grove Charity Management, the charitable trust established by Sir Godfrey Mitchell, who acquired the west London business in 1919 and during the next 60 years transformed it into a national and then international contractor.

The existence of such a large shareholding, although a deterrent to would-be predators, does not always assist Wimpey. The requirements of the charity make it difficult for the group to issue shares either for a rights issue or to support a large acquisition.

By comparison, Trafalgar House, was able to raise £310m through a rights issue this summer to support its £114m acquisition of Davy Corporation, the UK engineering contractor.

It will will bring together Davy McKee and John Brown in process plant contracting, and Monk and Cementation in construction, thereby creating the UK's biggest engineering and construction concern – a position once held by Wimpey.

Wimpey's relative decline, and it certainly remains a large business, is the classic story of company built largely through the energy and vision of a single man – Sir Godfrey Mitchell – who failed to establish a proper management structure to progress the business when those powers started to wane.



Source: Datastream, Wimpey

As a young army captain, Sir Godfrey bought Wimpey on his return from France. He had the ability to spot gaps in the market and one of his first decisions was to move into housebuilding in the 1920s. After the Second World War the group was the first UK company to break into international construction markets in a big way.

In Britain, Wimpey developed strong contacts with central and local government politicians and officials which helped it win a large slice of the public sector's then rapidly growing construction work. Wimpey became so successful in winning airfield contracts during the war that a public inquiry was held in 1942 into the award of government contracts.

In the 1950s Wimpey developed new techniques for building local authority homes just as the UK was embarking on a massive housebuilding programme.

But by the time the 1980s arrived, things were beginning to look rather threadbare. Public sector work was sharply in decline, particularly the investment in council housing. International work had also begun to hit problems especially in the Middle East where the group had traditionally been strong. In 1983 Wimpey announced provisions of more than £40m against its overseas activities.

Sir Godfrey had been vehemently opposed to borrowing. Financial arrangements were only handled by himself and two other directors. Therefore the group was unable or unwilling to issue paper and, with only cash flow to support purchases, failed to make strategic acquisitions to gain a better spread of businesses when the slump came.

Management and accounting procedures were also sometimes on the bizarre side.

Before Sir Clifford's reorganisation in the early 1960s, the group had become a vast hotch-potch of separate businesses, most of which had a large degree of autonomy. There were 17 separate regional companies, each responsible for all the company's activities – from housebuilding to roadbuilding – in their area. Peripheral and non-profit-making businesses were sold or closed in a massive pruning operation.

It was not enough. Sir Clifford, despite forecasting the housing market collapse 18 months before it happened, did not have enough time or money to turn the ship around.

Even before the housing market peaked, Wimpey had started to reduce its housebuilding and land purchases in the UK. In spite of this, housebuilding accounted for more than 80 per cent of profits at the top of the boom in 1988.

Mr Dwyer says that any disposals would need to be "significant" if the group is to reduce its net debt of £372m and provide funds for further investment. The offshore engineering interests were sold this summer for £15m.

Gearing, including debt associated with the Little Britain development, was 58 per cent at the end of the first half.

The group is also being reshaped in other ways. The retirement and resignations of senior directors have led to the appointment of a new, younger management team under Mr Dwyer who once played soccer for Crewe Alexandra.

The team faces a range of problems. Shrinking order books following the collapse of the residential and commercial markets are now under pressure.

Meanwhile police investigating allegations of corruption arrested two of Wimpey's regional directors last year and subsequently raided the company's headquarters. There have also been newspaper allegations that Wimpey has made payments to French politicians.

Sir Clifford opines: "It has been a stinker of a year." He hopes it can only get better from here.

Hillsdown clipped to £78m as poor trading hits poultry side

By Jane Fuller

LOSSES ON frozen chickens offset other gains at Hillsdown Holdings, the food, furniture and housebuilding group, where pre-tax profit slipped from £78.9m to £77.6m in the first half of the year.

The fall came despite turnover up 26 per cent to £2.37bn (£1.88bn) following the purchase of 56 per cent of Maple Leaf Foods – formerly Canada Packers – last summer.

That minority plus another at Strong & Fisher, the leather company rescued last year, produced charges of £10.3m (£1.7m) and was the main reason for an 18 per cent fall in earnings per share to 9.41p (11.46p). The interim dividend, however, goes up to 2.2p (2p).

Sir Harry Solomon, chairman, said food now accounted for more than 80 per cent of the business. "The thrust of what we are doing is to be an international food business." Housebuilding and furniture might not fit in the future, but neither would be sold at the bottom of the cycle.

Operating profit fell by less than £1m to £104.7m, helped by acquisitions. Interest charges grew to £27m (£26.6m).

Gearing was on course to come down from 73 per cent last December to below 55 per cent with the help of sales.

The food divisions contributed £2.05bn to turnover, a 33 per cent increase, but only a small improvement to £84.7m (£81.2m) in operating profit.

Mr Kevin O'Sullivan, finance director, said poultry was the main problem area. Frozen chickens were a commodity and disarray in the UK market had been exacerbated by low prices following the diversion of French chickens from Middle Eastern markets.

Poultry operating profit fell by £12.3m to £13.5m. The proportion devoted to frozen chickens was being reduced to less than 25 per cent.

Food processing, already the biggest part of the group before the Canadian acquisition, increased operating profit by 31 per cent to £58.2m. Sir Harry said the low margins at Maple Leaf were being improved.

While furniture, affected by the sale of a stake in the retailer Wickes, declined to £5.7m (£8.5m), housebuilding and property, bolstered by concentration on low-cost starter homes, only slipped to £16.5m (£17.9m).

See Lex

Canadian offshoot ahead 60%

By Bernard Simon in Toronto

THE SHAKE up by Hillsdown Holdings of its Canadian subsidiary has begun to bear fruit.

The 56 per cent-owned Maple Leaf Foods produced a 60 per cent advance in second-quarter earnings in the face of lacklustre business conditions.

Maple Leaf produced net earnings of C$17.1m (£8.85m), or 26 cents per share, in the three months to June 30, against C$10.7m, or 16 cents, a year earlier.

Operating profit climbed from C$27m to C$35m, and interest charges dropped from C$8.5m to C$3.5m.

Hillsdown has cut a swathe through the Toronto-based company, Canada's biggest food processor, since it took control in mid-1990.

It has pared the head office to a fraction of its former size, replaced senior management, sold off several businesses, consolidated others and reduced borrowings.

The sale of the peanut butter and dairy subsidiaries and the closure of two Alberta beef abattoirs was reflected in an 11 per cent drop in sales to C$867m.

The company also signed a letter of intent to sell its edible oils business.

However, it also moved recently to expand in some value-added products and in export markets. It acquired a frozen chicken processor with the aim of developing its poultry business. In July, it bought AJ Mills, a small UK-based trading company.

Talks to form a joint processed-meats distribution venture with its main competitor, JM Schneider, were expected to be completed towards the end of the year.

Maple Leaf warned that several of its markets were still suffering from over-capacity. They included flour milling, poultry processing and edible oils.

American Trust net asset value rises

American Trust, an investment trust managed by Edinburgh Fund Managers, had a net asset value of 210.6p at July 31 1990, compared with 179.7p a year earlier and 161.6p at the trust's January year-end.

Net revenue for the six months improved from £1.96m to £2.09m for earnings per share of 2.51p (2.36p). The interim dividend is lifted to 1.5p (1.45p).

The trust invests principally in US equities.

BOARD MEETINGS

TODAY

Interims- BTR, Blue Circle Inds, Booker, British Borneo Petroleum, British Dredging, Burford, Burmah Castrol, Calderburn, City & Commercial Inv Trust, Cookson, Courtaulds Textiles, Daniels (S), JMD, Porvair, Provident Financial, Readymix, Reckitt & Colman, Reece, Richards Group, River & Mercantile Geared Capital & Income, Saatchi & Saatchi, Sun Alliance, Vinten, Wilson Bowden.

Finals- Ex-Lands, Specsleyes.

FUTURE DATES

Interims-	
Abbeycrest	Sep 11
Bemrose	Sep 19
Blockleys	Sep 18
Boustead	Sep 19
Brake Bros	Sep 17
Brammer	Sep 12
Costain	Sep 11
Emess	Sep 12
Enterprise Oil	Sep 11
Folkes	Sep 19
Heden MacLellan	Sep 12
Hartons	Sep 12
Highlands & Lowlands	Sep 12
Hundleigh Tech	Sep 16
MB-Caradon	Sep 17
Merchants Trust	Sep 10
Matsec	Sep 16
Micro Focus	Sep 12
Morgan Crucible	Sep 16
Nurdin & Peacock	Sep 10
PCT	Sep 10
Pacific Assets Trust	Sep 17
Pittard Garnar	Sep 10
Royal Dutch Petroleum	Sep 12
Shell Transport & Trading	Sep 12
Singer & Friedlander	Sep 10
Smiths Inds	Oct 8
Stag Furniture	Sep 18
TT	Sep 12
Tarmac	Sep 24
Templeton Galbraith	Sep 10
Trade Indemnity	Sep 18
Vickers	Sep 24
Finals-	
CLF Yeoman	Sep 6
FII Group	Sep 16
Northern Ind Improvement	Sep 11
Palmerston	Sep 8
Precious Metals Trust	Sep 12
Scholes	Sep 16
Stormgard	Sep 12
Thompson Clive Inv	Sep 16

BUSINESS LAW

Powers of investigation and compulsion overlap

By Michael Chance

POWERS of interrogation and powers to seize evidence are always contentious. The powers of the police are in the news in the wake of allegations of fabrication of evidence in the case of the Birmingham Six, the six West Midlands men of Irish descent whose convictions for the November 1974 pub bombings in which 21 people died and 162 were injured were overturned by the Court of Appeal in March this year.

The powers of the Serious Fraud Office have been criticised as they become more familiar following the Office's establishment in 1988 because they deprive citizens of traditional rights. With the Bank of Credit and Commerce International affair sitting in the background and the Serious Fraud Office recently called in by the board of Brent Walker to investigate the troubled leisure group, the time is ripe to compare the various powers of investigators to collect evidence and the use they can make of it.

The police investigate hundreds of thousands of serious cases each year. They use the investigative powers available to them under the 1984 Police and Criminal Evidence Act and they cannot normally require people to produce documents without the authority of a magistrate or judge.

More crucially, the Act does not make inroads into the principle that citizens – whether potential suspects or witnesses – need not answer questions put to them.

Of course, potential *witnesses* are normally content to assist the police. Problems arise if the person questioned feels reluctant to co-operate because of some form of confidential relationship, personal loyalties or because he or she has something to hide.

Whether persons interviewed as potential *defendants* respond to police questioning is likely to depend on their knowledge of the system, whether they have legal advice and whether they feel they can give a good account of themselves.

Juries are told of a defendant's answers to police questions and this is acceptable because the answers are given voluntarily.

The powers of the Serious Fraud Office are available when the Office decides to investigate a fraud which is "serious or complex". This is an imprecise definition to find in an Act of parliament.

There are strong views about whether a suspect's traditional "right to silence" should be removed at all. Certainly there is scope for the view that the removal of that right should not depend on the Serious Fraud Office director's subjective judgment of the seriousness or complexity of a case.

The director's judgment is the more arbitrary because the availability of the Office's resources is another factor to be taken into account in deciding whether a case should be accepted for investigation.

The Office is small and only about 25 new cases can be undertaken each year. Should a suspect's right to silence depend on whether the Office is busy when his or her case is brought to its notice?

Public supervisory bodies, unlike the police, can demand answers; unlike the SFO they can use a person's answers against him

But the exercise of the Serious Fraud Office's powers is balanced by the citizen's right against self-incrimination. Normally, a jury trying a defendant will not know of any incriminating answers he may have given when interviewed by the SFO. Those answers can be made known to the jury only if the defendant opts to go into the witness box and gives evidence inconsistent with his earlier answers to the SFO.

This is seldom likely to happen, however. The real value of the SFO's powers is to ascertain what potential *witnesses* – rather than potential *defendants* – have to say.

Various other Acts of parliament have created powers for investigators to require that documents be produced and questions be answered. The availability of these powers depends on the nature of the body under investigation or its business.

For example, under the Companies Acts, the Department of Trade and Industry has wide powers to investigate the affairs of companies, irrespective of the fields in which they operate.

There are powers to investigate those engaged in particular kinds of business under the 1986 Financial Services Act, the 1987 Banking Act and the 1982 Insurance Companies Act.

These powers – unlike those of the Serious Fraud Office – were not created specifically for criminal investigations. They exist to aid public bodies responsible for supervising particular areas of commercial activity, but they are frequently invoked when criminal offences are suspected.

A person's answers to questions put to him by these other bodies can generally be placed before a jury at his or her trial. So these bodies enjoy the best of both worlds; unlike the police they can *demand answers to their questions*, and unlike the SFO they can *use* a person's answers against him.

All this begs questions about the extent to which it is legitimate for investigators to exchange information and for one investigator to seek to persuade another to use his powers if they appear to have advantages over his own.

This might occur, for example, where an investigation is in the hands of the police and they wish to compel a suspect to answer questions. Again, in an SFO investigation it might be seen as beneficial to question a suspect in circumstances where his answers can be given in evidence against him.

Questioning under two sets of powers might be seen as unsporting. To seek to use three sets would be well below the belt

It is galling to be able to ask difficult questions without being able to demand answers. It is more galling to ask such questions, to get incriminating answers and to be unable to put them in evidence.

To pursue the point further, can investigators seek to get the best of all worlds by arranging for a suspect to be interviewed under their own and other powers, to see where the best results are obtained?

These are areas where there is little authoritative learning. All would depend on the attitude of the courts, which have a wide discretion to exclude evidence regarded as having been unfairly obtained.

Subjecting a suspect to successive questioning under two sets of powers might be seen as unsporting. To seek to use three sets of powers would be well below the belt.

It seems fair to assume that investigators will, for the most part, rely on their own investigative powers, while perhaps occasionally casting an envious glance at the powers of others.

So one comes back to the arbitrary decision as to who is to conduct a particular investigation. There is also the question whether it is logical to limit the powers to demand answers to questions to particular types of business and offence. After all, fraud is grave but murder is graver.

It is worthwhile observing that although a person cannot, save in the circumstances outlined above, be compelled to tell investigators what he knows, he can be compelled to attend court to give evidence.

In the last resort a witness can be arrested and taken in custody to the court room, but it is rare indeed to take this step where the witness has not earlier disclosed, in interview, what he is going to say.

Against that background the package of powers available to the Serious Fraud Office becomes more interesting.

Given the restrictions on using a person's answers in evidence against him, the Serious Fraud Office is more likely to use its powers to find what evidence a reluctant witness can give, rather than to interrogate a potential defendant. That rests quite comfortably with the citizen's historical right against self-incrimination.

If investigators' rights to require answers were extended to a wider category of offences, this might attract less hostility if *all* such powers were accompanied by SFO-type controls designed to preserve the principle that a person should not be required to convict himself through his own mouth.

The author is a consultant in the fraud and regulatory investigations group of City solicitors Cameron Markby Hewitt.

COMMODITIES AND AGRICULTURE

UK and Norway close to deal on gas export plan

By Karen Fossli in Oslo

NORWAY IS ready to clear the way for exports of UK North Sea gas through the Norwegian Norpipe pipeline as discussions centre on tariffs for the use of the transport system.

This could also remove obstacles to Norwegian gas making its way to Britain, in a separate deal signed in April. Earlier this year the two countries became embroiled in a *dispute over the export of* 600bn cubic feet of recoverable gas reserves to Germany from two UK North Sea fields, known as the J-block. The UK sought to link the export plans to Norway's long-standing wish to sell large quantities of gas to Britain from the mid-1990s.

In April Britain's National *Power signed a deal with Stat*oil, the Norwegian state oil company, for gas supplies to fuel 1,300 megawatts of combined cycle gas turbines over 15 years. The deal, thought to be worth £150m, is for supply of 2.2bn cu m of gas a year.

According to the Reuters news agency, Mr Colin Moynihan, the UK energy minister, said yesterday in Aberdeen that his department hopes to rule shortly on those export plans.

The terms of the National Power/Statoil deal contain a clause that requires the company to secure a gas import allowance from British authorities by the end of October, or it will become void. Statoil says it is currently assessing the most cost effective way of delivering gas through the Frigg pipeline, which runs between the Norwegian North Sea Frigg gas field and St Fer*gus in Scotland.*

Phillips Petroleum Norway is understood to have offered J-block partners capacity in the Norpipe line from 1995 for 6m cubic metres a day.

The tariff discussions are understood to be based on a so-called "total tariff" application in which J-block gas, before making its way to Germany, would be processed through Phillips Norway's Ekofisk field centre. "Capacity has been offered, but commercial discussions on the transport tariffs need to be concluded," an official close to the negotia*tions* said.

The British Government may now be more open to approving the National Power/Statoil deal since Norway seems prepared to clear the export of UK gas to Germany through the Norwegian Norpipe line.

Big cut forecast in EC apple and pear crops

By Our Agriculture Staff

THE EUROPEAN Community's apple and pear crops are expected to be 25 to 30 per cent lower than last year, mainly due to inclement weather.

Latest estimates suggest that the 1991-92 apple harvest will fall by 30 per cent to 5.7m tonnes, compared to last year's 8.2m tonnes, while the pear crop, at 1.8m tonnes, will be 25 per cent lower.

According to Agra Europe, the independent agricultural and horticultural intelligence agency, only the UK and Portugal will register near normal or above average crops. Overall, it said, "one would have to go back as far as 1961 to find a season as disastrous as the current one".

The principal reason for the *low crops was adverse* weather, with frosts occurring at blossom-time and prolonged unfavourable weather afterwards, which resulted in poor coverage, smaller fruit sizes, deformed fruit and an *increased number of windfalls.*

According to figures from Prognosfruit, the UK, Ireland and Portugal are all expected to have apple crops higher than last year, with the UK's crop, for example, forecast at 366,000 tonnes, against 295,000 tonnes last year.

In Germany, France and the Netherlands, for example, apple crops are expected to be, respectively, only 65, 55, and 45 per cent of last year's.

Pears present a slightly different picture, for while the UK, Greece, Portugal and the Netherlands are all likely to have bigger crops, Germany (including the former East Germany), France and Spain will probably produce 54 to 56 per cent less.

EC Apple and Pear production (million tonnes)

	Apples	Pears
1991*	5.73	1.87
1990	8.18	2.18
1989	7.77	2.33
1988	8.90	2.60
1987	7.56	2.61

*forecast

London raw sugar futures returning to floor trading

By David Blackwell

AFTER ONLY eight months of screen trading, the London raw sugar futures market decided yesterday to go back to open outcry trading.

The market is expected to be back on the floor at Commodity Quay, home of the London Futures and Options Exchange (Fox), by the end of the year.

The raw sugar market switched to Fox's automated trading system on January 11 after a sharp decline in the number of lots being traded under open outcry. The switch was by no means unanimously backed: an extraordinary general meeting of the exchange a few days earlier saw a resolution calling for an integrated trading floor with pits was defeated by 58 per cent to 42 per cent of the votes.

The exchange, which has a successful screen-traded contract for white sugar, hoped that the move would help to reverse the falling volume. But while the white sugar contract has continued to trade at similar volumes to last year (between 900 and *1,500 lots a day), the average daily* volume for raws in August was only 818 lots, compared with 2,192 lots in August last year under open outcry and 4,976 in May.

Yesterday's meeting followed a questionnaire which the sugar committee sent out in July seeking the opinions of everyone in the London sugar trade, member of the exchange or not. Of 186 sent out, about one third were returned, with a majority in favour of a return to floor trading, Mr Mark Blundell, Fox chief executive, said.

Voting yesterday was not unanimous, but a clear majority backed floor trading.

Mr Blundell, a keen advocate of *screen trading, said there was no* question that the exchange was disappointed the move to screens had not improved volumes. But he insisted that "it is not a defeat for screen trading".

In April this year Fox suspended its screen-based rubber futures contract. The arabica coffee contract launched in March is only just ticking over, while the screen-based rice contract is not trading.

Mr Blundell pointed to the continued success of white sugar – the exchange's first screen-based contract – and to the base metals index and property contracts which are running reasonably well.

"I don't believe that launching lots *of contracts* damages the image of the exchange," he said yesterday. "The best exchanges have a lot of contracts that fail." However, he admitted that taking the sugar market first one way, then another was not especially helpful.

The Fox board meets on September 26 to approve the necessary expenditure of a return to floor trading. It is likely to be a pit system as the space taken by the former ring trading system is now occupied by the agricultural markets which Fox took over from the Baltic Exchange.

Further costs will be incurred with the return of screens.

Locals, who trade for their own account and were opposed to move to screens, were delighted with yesterday's news. "We still believe the only way forward is to keep the market on the floor," said Mr David Rose.

However, one of the attractions of screen trading is its relatively low costs, and analysts yesterday were wondering just how many companies would be prepared to man the new trading floor.

Coffee plan to be presented at pact meeting

By Victoria Griffith in Sao Paulo

THE TASK force formed on Tuesday by President Fernando Collor de Mello of Brazil and President Cesar Gaviria of Colombia is set to meet in Rio de Janeiro early next week to define the details of a coffee *retention scheme.*

The two countries plan to present the plan to the International Coffee Organisation in London later this month. "We will offer this as a temporary alternative to an international accord on prices," *said* Mr Suelly Evandro Amarante, president of one of Brazil's largest coffee growers' unions and a member of the National Coffee Council, which will play a key role in the Rio talks.

The scheme, by which coffee-producing countries would hold back 10 per cent of their total production from the market in an effort to boost prices, has won the support of Colombia, Brazil, and the major Central American coffee growers. Financing is still uncertain, however.

Mr Jorge Cardenas, president of the National Coffee Federation of Colombia, said exporters from his country were in advanced talks with American and Colombian banks on funding for the deal.

Brazil's financing will come from internal sources. Coffee producers here are counting on the newly-released funds of Funcafe, the government agency which offers credit to coffee farmers. This week, the government unfroze Cr$101bn ($225m) of Funcafe funds blocked last year under the anti-inflation Collor Plan. Some $57m has already been offered to coffee growers to finance the current harvest. Producers believe the rest, $168m, could be allotted to the retention scheme.

Misreading market signals costs US cattlemen dear

Barbara Durr explains how an over-optimistic forecast led beef producers into heavy losses

AMERICAN consumers *have* not seen a better time to enjoy a juicy steak in quite a while. Retail meat prices are at 18-month lows and are expected to fall further. They have been following a dramatic dive in the *wholesale market, which in* recent months has suffered its heaviest fall since 1982.

Average weekly prices for live cattle peaked on 29 March at 81.40 cents a lb, dipped as low as 66.28 cents in mid-August and *are now hovering* around 67 cents. The 15-cent drop was the largest summer season decline since a 17-cent crash nine years ago.

So ended what had been a five-year bull market for the American beef industry.

The cattle feeding sector of the industry is estimated to have lost between $550m and $600m in the 15 weeks to August 31, according to Mr Steve Kay, editor of the industry newsletter Cattle Buyers Weekly. These losses are put in perspective by comparison with cattle feeders' financial position on *May 18 – $180m in* the black.

Why the market took such a tumble is a matter of controversy. At the centre of it is a Denver-based producers organisation called Cattle-Fax. Ear*lier this year Cattle-Fax* questioned figures from the US Department of Agriculture on the number of cattle in feedlots, saying that, based on returns from its own members, it believed there were some *300,000 fewer cattle in lots than* the USDA calculated. It suggested that the demand for beef was set to continue and consequently that prices would not lose more than 6 cents a lb going into the summer, when *seasonally plentiful supplies* usually bring a price drop.

In April Cattle-Fax predicted that prices that month would be in the high range of 81-88 cents a lb and that after the seasonal drop in June and July prices would go back up.

The organisation turned out to be wrong about cattle numbers and about the prospects *for prices, which plummeted.* But before this was clear Cattle-Fax's doubts about the USDA figures had prompted a crisis of confidence regarding the government data among industry analysts, particularly in some influential securities houses. The result of this was that many in the cattle business were led to believe more optimistic scenarios than reality warranted. And based on these misinterpretations of the facts, cattlemen proceeded to keep their animals in feedlots longer.

This was to prove a disastrous mistake.

Mr Tom Brink of Cattle-Fax now contends that lower-than-expected demand from Japan has been an important factor in the prices fall. Japan, which accounts for some 70 per cent *of US beef exports, has beef in* storage and that has pulled down its US imports, said Mr Brink. He blames a buying spree by the Japan's quasi-government agency, the Livestock Industry Promotion Council, which stocked up on American beef before it was disbanded after Japan lifted its import restrictions on US beef on April 1.

But, while exports to Japan have not perhaps expanded at *the rate the industry would* have liked, they were up by 7 per cent for the January-July period, according to the US Meat Export Federation. Overall US exports of beef and veal are up by 20 per cent, with *impressive export growth in* particular to Pacific Rim countries such as Korea and Taiwan, where US beef exports rose by 65 per cent and 66 per cent respectively. US beef exports to Mexico meanwhile jumped 86 per cent in the first half.

Some analysts who had kept faith with the USDA figures *say slow exports to Japan were* not to blame for the deep dip in beef prices and offer a two-fold explanation for the market slump. On the demand side the problem is the US recession, says Mr William Plummer, president of Frontier Risk Management, an introducing broker affiliated with the Lind-Waldock futures firm in Chicago. This has caused a significant drop in beef demand, especially in the hotel, restaurant and institutional markets, which account for about 40 per cent half of the total of US beef consumption. Compounding *the economic difficulties,* Mr Plummer contends, has been an attitudinal change regarding conspicuous consumption. "People are just not spending money on high priced steaks," he says.

Mr Tom Morgan, president of Sterling Research in Arlington Heights, Illinois, adds that for a period the drop off in demand during the last year *was masked by military* purchases for Gulf War troops. His company's data indicating a fall in farm demand tipped him off to the overall demand decline.

On the supply side, the story *is more complex, but in* essence adds up to too many cattle, many at excessive weights, coming to market at the same time.

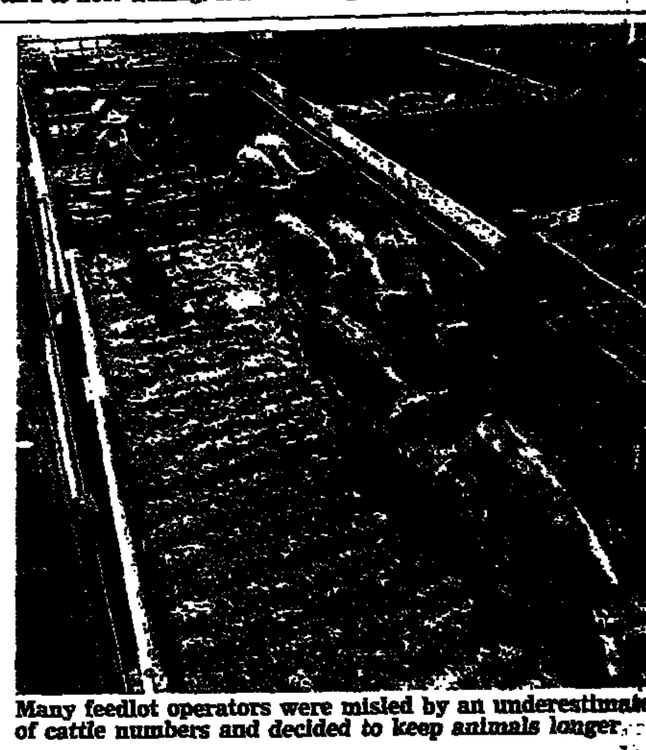
"The seeds of destruction were laid last summer," says *Mr Plummer. More cattle than* usual at far lighter than normal weights were put on feedlots from July through September. Had these cattle been of normal weight, they would have been marketed (that is, sold to a packer) in the period of *November through January* this year. But the marketings were much fewer than many analysts expected, thus occasioning the controversy about the USDA figures.

Mr Plummer, Mr Morgan *and others who remained faith*fully to the USDA figures say that several factors contributed to the unexpectedly-slow rate of marketings. Foremost was the abnormally light weights at which the cattle were *placed in the lots, which* meant they took longer than usual to reach the desired weights. Also, there was a bout of severe winter weather, which makes the cattle lose weight and consequently pro*longs their time in the feedlots.* A final delaying factor was the widespread use of the growth hormone Finaplex. It is successful in helping cattle gain weight, but it tends to produce less fat on the animal. Thus, to *reach the standard of "choice"* in American beef gradings, the cattle again had to remain longer in the feedlots.

Adding to the problem, cattle placed in feedlots at the start of the year were of abnormally heavy weights, meaning that *they would* require less time to complete their feeding cycle. By early summer there was a substantial backlog in the feedlots and cracks were starting to appear in the market's price structure. Cattle feeders tried *to withhold* their animals to minimise losses from packers. But packers, aware of the excess supply, steadily lowered their bids. Prices dropped sharply and have stayed down.

Yet, many still believe that *the current glut will disappear* and that prices will return to hover around 80 cents a lb.

Mr Plummer begs to differ. While a brief price "spike" could occur this winter, given that feedlot placements are *currently down* markedly, he believes prices are heading lower over the longer term. The only brake on the slide would be a much stronger US economic recovery than is expected. Mr Kay is equally *gloomy. "It's going to be a* long, slow, painful recovery for the beef industry," he says.



Many feedlot operators were misled by an underestimate *of cattle numbers and decided to keep animals longer*

WORLD COMMODITIES PRICES

MARKET REPORT

Platinum moved closer to parity with gold yesterday on the London bullion market, although platinum closed off the day's highs sparked by news that Impala was closing until further notice its Bafokeng North Mine. A tense situation at the property following a deadlock in annual wage negotiations prompted the closure, the company said. The point of parity between the two metals was seen at *resistance levels, with the* market focused on $350 a troy ounce. London cocoa prices ended sharply ahead despite coming under pressure from profit-taking towards the close. The December contract hit a nine-month high of *£751 a tonne in early trading.* Dealers said heavy fund buying, a lack of origin selling, constructive charts and some light industry buying had all contributed to the strong advance. Indications that the market had become overbought triggered the late setback. New York was also strongly ahead at midday. On the LME nickel continued to retreat. Dealers said the break below $7,800 for three-month metal in *the morning prompted further* losses during the afternoon session. Copper prices eased: option declarations passed uneventfully when most of the $2,300 September calls were abandoned.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.25-7.35z	-0.10
Brent Blend (dated)	$20.20-0.35z	-.025
Brent Blend (Oct)	$20.25-0.30	-.225
W.T.I. (1 pm est)	$21.80-1.90z	-.275
Oil products *(NWE prompt delivery per tonne CIF)*		+ or -
Premium Gasoline	$244-246	+1
Gas Oil	$190-192	-3
Heavy Fuel Oil	$70-72	-2
Naphtha	$205-207	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$349.00	+0.50
Silver (per troy oz)♣	394.0c	+2.5
Platinum (per troy oz)	$345.5	+4.5
Palladium (per troy oz)	$81.50	+0.90
Copper (US Producer)	108.2c	+0.1
Lead (US Producer)	36.4c	
Tin (Kuala Lumpur market)	15.15r	
Tin (New York)	259.0c	
Zinc (US Prime Western)	62.0	
Cattle (live weight)†	104.92	-0.66*
Sheep (dead weight)†	117.27	+0.01*
Pigs (live weight)†	66.70p	+1.33*
London daily sugar (raw)	$230.4q	-0.6
London daily sugar (white)	$287.8q	-1.2
Tate and Lyle export price	£244.5	-0.5
Barley (English feed)	£118.5u	
Maize (US No. 3 yellow)	£160	
Wheat (US Dark Northern)	£97.0	-4.5
Rubber (Oct)♥	52.00p	
Rubber (Nov)♥	52.50p	
Rubber (KL RSS No 1 Sep)	226.50	
Coconut oil (Philippines)§	$437.5y	
Palm Oil (Malaysian)§	$320.0t	
Copra (Philippines)§	$282.5j	+2.5
Soyabeans (US)	£155.0	-2.0
Cotton "A" Index	71.60c	+0.05
Wooltops (64s Super)	360p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct t-Aug/Dec u-Oct/Dec x-Jul/Aug y-Aug/Sep z-Oct j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	199.40	198.20	198.40	196.20
Dec	191.20	189.80	186.00	186.00
Mar	186.20	184.80	185.20	182.00
May	186.40		186.00	185.40
White	**Close**	**Previous**	**High/Low**	
Oct	282.0	280.7	281.5	280.0
Dec	277.0	276.7	277.0	274.8
Mar	276.0	275.6	275.5	273.0
May	275.0	274.6	274.0	273.3
Aug	274.5		273.2	

Turnover: Raw 913 (167) lots of 50 tonnes. White 630 (2993)
Paris- White (FFr per tonne): Oct 658, Dec 641

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Oct	20.24	20.58	20.50	20.23
Nov	20.26	20.52	20.44	20.28
Dec	20.26	20.47	20.39	20.26
Jan	20.20	20.31	20.20	
Mar	20.03	20.02	20.15	20.03
IPE Index	20.58	20.65		

Turnover 13647 (13310)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low	
Sep	192.75	196.00	195.00	192.25
Oct	196.00	198.25	198.00	195.00
Nov	197.75	200.75	200.25	197.00
Dec	198.75	201.75	200.25	198.25
Jan	197.00	199.50	198.50	196.75
Feb	191.50	193.50	192.50	191.50
Mar	186.50	187.00	185.50	185.50
Apr	180.00	181.50	180.00	178.50

Turnover 10941 (13052) lots of 100 tonnes

INDICES

REUTERS (Base: September 18 1931 = 100)

Sep 4	Sep 3	mnth ago	yr ago
1690.3	1659.6	1688.5	1798.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 3	Sep 2	mnth ago	yr ago
Spot	116.93	-	120.99	129.54
Futures	122.31	-	123.70	132.52

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Sep	714	683	716	697
Dec	743	719	751	718
Mar	778	757	787	764
May	797	776	805	785
Jul	817	796	820	805
Sep	836	815	846	828
Dec	858	840	864	849
Mar	882	868	880	869
May	897	882	903	890
Jul	911	896	919	906

Turnover: 15737 (5632) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 3 903.23 (886.61) 10 day average for Sep 4 866.82 (859.18)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Sep	520	523	523	519
Nov	548	550	550	546
Jan	569	570	570	567
Mar	585	587	588	584

Turnover:4448 (3472) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 3 : Comp. daily 66.18 (66.14) 15 day average 63.50 (63.22)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Sep	75.0		82.0	75.0
Nov	85.0		85.0	85.0
Apr	119.8	118.5	121.5	119.8

Turnover 188 (198) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low	
Oct	133.00		133.50	133.00
Dec	136.00	139.50	138.50	136.00

Turnover 250 (10) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Sep	1613	1615	1600	1595
Oct	1703	1695	1680	1680
Jan	1711	1705	1715	1685
Apr	1714	1705	1715	1695
BFI	1543	1546		

Turnover 186 (126)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Sep	113.90	113.10	113.90	113.60
Nov	116.80	116.30	116.80	116.65
Jan	120.30	119.80	120.30	120.15
Mar	123.75	123.30	123.75	123.55
May	126.60	126.15	126.60	126.50
Barley	**Close**	**Previous**	**High/Low**	
Nov	113.55	113.40	113.50	
Mar	119.60		119.70	119.45

Turnover: Wheat 441 (396), Barley 61 (65).
Turnover lots of 100 tonnes.

PIGS – London FOX. (Cash Settlement) p/kg

	Close	Previous	High/Low	
Sep	90.0		90.0	
Oct	99.5		99.0	98.0
Nov	103.5	103.5	103.5	103.0
Jan	104.0	104.0	103.5	

Turnover:24 (15) lots of 3,250 kg

BIGS – London FOX

	Close	Prev.	High	Low	Vol
Indx	137.12	137.88			
Sep	137.50	138.50	138.20	137.50	90
Oct	137.80	138.70	138.10	137.80	115
Nov	138.30	139.20	138.90	138.30	150
Dec	138.80	139.80	139.40	138.80	160

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 17,631 lots
Cash	1244-5	1249-50		1250-1		
3 months	1275-6	1280-1	1284/1273	1281-2	1275-6	14,681 lots
Copper, Grade A (£ per tonne)						Total daily turnover 19,878 lots
Cash	1344-5	1353-5	1349/1345	1345.5-6.0		
3 months	1352-2.5	1360-1	1356/1351	1354-4.5	1353-3.5	25,531 lots
Lead (£ per tonne)						Total daily turnover 1,334 lots
Cash	310-1	312.5-3.5	310	310.25-50		
3 months	323-4	325.5-6.0	325/323.5	323-4	323.5-4.0	1,688 lots
Nickel ($ per tonne)						Total daily turnover 3,771 lots
Cash	7710-20	7775-85	7761	7760-1		
3 months	7755-60	7815-20	7830/7750	7775-80	7730-40	2,543 lots
Tin ($ per tonne)						Total daily turnover 1,452 lots
Cash	5565-70	5570-80		5582-5		
3 months	5646-50	5650-60	5650/5640	5640-5	5650-60	934 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 7,623 lots
Cash	1022-4	1023-5	1024/1023	1023.5-4.0		
3 months	1038-40	1039-40	1044/1040	1040-0.5	1042-3	3,918 lots

LME Closing £/$ rate:
SPOT: 1.6940 | 3 months: 1.6747 | 6 months: 1.6564 | 9 months: 1.6412

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	348.80-349.20	
Opening	348.60-349.00	
Morning fix	348.60	205.421
Afternoon fix	348.70	205.783
Day's high	349.10-349.50	
Day's low	348.40-348.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.20	6 months	5.00
2 months	5.15	12 months	4.98
3 months	5.06		

Silver fix	p/fine oz	US cts equiv
Spot	231.90	392.80
3 months	237.75	398.15
6 months	243.50	403.90
12 months	255.95	416.90

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	349.00-350.00	206.25-206.75
Maple leaf	359.00-360.00	212.00-212.50
New Sovereign	84.00-85.00	49.50-50.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Dec	Oct	Dec
1250	29	54	16	24
1275	14	40	29	35
1300	7	29	47	48
Copper (Grade A)	**Calls**		**Puts**	
2250	50	70	25	59
2300	25	46	50	85
2350	11	31	85	117
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
500	50	73	2	4
550	15	36	17	17
600	3	15	55	46
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
650	102	141	9	13
675	83	122	15	19
700	66	104	23	26
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
2050	15			
2100		27		
2150	1	20		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	348.5	348.3	0	0
Oct	349.8	349.7	350.3	348.6
Nov	351.4	351.3	0	0
Dec	353.0	352.9	353.5	352.7
Feb	356.0	356.0	356.5	356.2
Apr	359.0	359.0	359.2	359.0
Jun	362.1	3362.1	0	0
Aug	365.3	365.3	0	0
Oct	368.4	368.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	346.0	344.9	348.0	345.0
Jan	350.4	349.4	352.5	349.5
Apr	354.2	353.1	354.5	354.0
Jul	358.0	357.1	357.8	357.8
Oct	365.0	364.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	390.4	390.5	392.0	389.0
Oct	391.9	392.2	0	0
Nov	394.0	394.3	0	0
Dec	396.5	396.8	398.5	395.0
Jan	397.9	398.2	0	0
Mar	403.2	403.4	405.0	401.5
May	407.9	408.0	408.5	408.5
Jul	412.4	412.4	413.5	411.5
Sep	417.2	417.2	417.0	417.0
Dec	424.5	424.6	425.0	425.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	103.50	104.45	104.05	103.20
Oct	103.00	103.95	103.15	102.70
Nov	102.60	103.60	0	0
Dec	102.40	103.30	102.80	101.90
Jan	101.75	102.55	102.00	101.65
Feb	101.25	102.05	101.70	101.00
Mar	100.65	101.45	101.20	100.50
Apr	100.15	100.90	100.50	100.50
May	99.65	100.35	100.10	99.70
Jun	99.30	99.90	99.90	99.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	8.75	8.73	8.76	8.60
Mar	8.42	8.36	8.44	8.27
May	8.40	8.32	8.40	8.25
Jul	8.39	8.32	8.39	8.31
Oct	8.38	8.31	8.30	8.29

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	21.84	22.24	22.11	21.83
Nov	21.78	22.12	22.01	21.75
Dec	21.66	21.97	21.89	21.65
Jan	21.55	21.82	21.75	21.56
Feb	21.46	21.67	21.62	21.45
Mar	21.29	21.50	21.44	21.29
Apr	21.19	21.36	21.25	21.16
May	21.10	21.22	21.10	21.06

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	6300	6457	6395	6300
Nov	6410	6547	6490	6410
Dec	6505	6636	6590	6500
Jan	6510	6633	6590	6510
Feb	6380	6488	6425	6370
Mar	6100	6208	6185	6100
Apr	5890	5973	5945	5870
Jun	5648	5670	5725	5595

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1150	1085	1145	1120
Dec	1190	1128	1195	1156
Mar	1234	1175	1240	1201
May	1263	1202	1265	1228
Jul	1286	1226	1285	1254
Sep	1306	1252	1317	1308
Dec	1343	1286	1340	1340
Mar	1378	1320	1386	1370
May	1402	1343	1411	1400
Jul	1422	1370	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	85.45	85.90	86.00	85.30
Dec	88.50	89.15	89.25	88.15
Mar	91.85	92.45	92.60	91.50
May	94.35	94.80	95.00	94.00
Jul	96.80	97.80	96.80	96.50
Sep	99.50	99.80	99.50	98.90
Dec	102.80	104.00	102.50	102.25

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	66.10	66.50	66.50	65.80
Dec	66.55	66.83	66.70	66.25
Mar	67.70	68.00	67.70	67.45
May	68.32	68.68	68.27	68.16
Jul	68.70	69.00	0	0
Oct	67.50	67.38	67.50	67.40
Dec	67.12	67.23	67.15	67.13

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	118.50	118.90	118.60	118.00
Nov	117.35	118.60	118.40	117.25
Jan	116.50	117.50	117.40	116.50
Mar	117.60	118.70	118.25	117.60
May	118.85	119.50	119.00	118.75
Jul	118.85	119.50	119.00	119.00
Sep	118.85	119.50	119.00	118.85
Nov	118.85	119.50	0	0
Jan	118.85	119.50	0	0

WOOL
Signs of strength late last week in Australian wool values have been confirmed by the first two selling days this week. There is no question of a bounce in prices, or even of an upturn applicable throughout the range. Trade demand from China and Russia, often channelled through Japan, has led to small price rises for some categories. From a British viewpoint there is little to *support a recovery of any significance.* New business is quiet and shows little or no improvement since holidays ended. Activity in some sectors of the industry is good but follow-on orders are badly needed

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	583/4	578/6	584/0	568/4
Nov	593/2	587/0	594/4	577/0
Jan	604/0	598/4	605/0	587/6
Mar	613/2	608/4	616/0	596/4
May	621/2	615/4	621/4	607/0
Jul	625/0	619/2	626/0	611/0
Aug	620/0	615/0	620/0	613/0
Sep	591/0	589/0	591/0	589/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	20.16	20.07	20.17	19.86
Oct	20.19	20.13	20.23	19.94
Dec	20.56	20.49	20.61	20.31
Jan	20.75	20.67	20.78	20.56
Mar	21.10	20.87	21.15	20.85
May	21.32	21.17	21.35	21.30
Jul	21.55	21.42	21.55	21.55
Aug	21.60	21.50	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	190.8	190.7	191.0	188.2
Oct	188.9	188.4	189.1	184.2
Dec	187.2	186.7	187.7	182.5
Jan	186.7	185.7	187.0	182.0
Mar	185.2	185.0	185.7	181.5
May	183.2	184.0	183.5	180.5
Jul	183.5	182.7	183.5	180.0
Aug	182.7	182.0	0	0
Sep	183.5	181.7	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	249/6	249/0	249/0	246/2
Dec	254/2	254/2	254/6	251/2
Mar	261/4	261/2	262/0	258/6
May	266/2	266/0	266/4	263/2
Jul	268/2	268/4	268/4	265/0
Sep	252/0	253/0	253/4	252/6
Dec	249/2	249/6	250/4	248/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	315/4	314/6	316/0	311/4
Dec	325/2	323/6	326/0	320/4
Mar	328/4	326/2	328/6	320/4
May	322/0	319/4	322/2	318/0
Jul	310/0	309/4	310/0	306/0
Sep	317/0	318/4	317/0	316/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	70.12	69.95	70.25	69.22
Dec	73.37	73.17	73.55	72.50
Feb	71.92	71.95	72.05	71.42
Apr	72.80	72.87	73.07	72.55
Jun	70.77	70.85	70.80	70.40
Aug	69.40	69.50	69.60	69.25

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	44.25	43.70	44.30	43.15
Dec	43.87	43.55	44.10	43.80
Feb	43.62	43.32	43.67	43.05
Apr	42.05	41.90	42.15	41.77
Jun	48.25	48.17	48.25	48.10
Jul	46.25	46.07	46.25	46.08
Aug	44.70	44.67	44.70	44.60

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	46.92	46.35	46.95	45.67
Mar	46.47	46.32	46.70	45.56
May	47.62	47.25	47.65	46.56
Jul	48.15	47.80	48.15	47.25
Aug	45.35	46.35	45.75	46.25

LONDON STOCK EXCHANGE

Base rate cuts no surprise for shares

By Terry Byland, UK Stock Market Editor

THE TIMING of the latest half-point reductions in domestic base rates was the only surprise for the UK stock market, and share prices soon gave back the scattering of gains which had greeted the announcements from the high street banks yesterday morning.

Immediately after the news that base rates had been trimmed to 10½ per cent, the market moved up by nearly 11 points on the FT-SE scale. But the gain melted away later and, with Wall Street sluggish in early trading, the London market closed down 4.4 at FT-SE 2,664.6.

The base rate cuts, soon followed by reductions in mortgage rates by Halifax and Abbey National, two of Britain's largest home loan institutions, appeared to increase slightly the chances of a UK general election in November. Market strategists now predict a further half-point reduction in base rates soon, probably in October, but agreed that the final outcome of yesterday's interest rate development had been disappointing.

Account Dealing Dates		
First Dealings:		
Aug 12	Sep 2	Sep 16
Option Declarations:		
Aug 29	Sep 12	Sep 26
Last Dealings:		
Aug 30	Sep 13	Sep 27
Account Day:		
Sep 9	Sep 23	Oct 7

*New-time dealings may take place from 8.30 am two business days earlier.

At Nomura Research Institute Europe, Mr Nick Knight significantly reduced forecasts for the Footsie, both for this year and next, just before the base rate news, which he said merely reinforced his views; the rate cuts "increase the risk of trouble for sterling," he commented.

Nomura sees the Footsie at only 2,400 at the end of this year, compared with its earlier prediction of 2,600; for next year, the firm sees the Index at 2,700, significantly lower than its earlier target of 3,200.

Mr Knight believes that share prices could run into trouble as the recession in the UK economy moves into recovery, and good news proves to have been only too well discounted.

Mr Bill Smith at Barclays de Zoete Wedd said that the opportunities for further good news on interest rates was now much reduced. However, base rate trends appear to be on target for his expectation that they will be at 10 per cent by the fourth quarter of the year. At County NatWest, Mr Bob Semple warned that there has not yet been much evidence of a recovery in the UK economy, and that the stock market could face further rights issues.

Building and construction stocks, which suffered most from the prolonged pressure of high interests rates in the UK, tried to make ground yesterday. But by the end of the session, gains in such prominent names as Tarmac and RMC were of only a few pence.

Retail stocks, which would benefit from any upturn in consumer spending on the back of the yesterday's base rate reductions, also responded somewhat unenthusiastically. Bid hopes or impending results helped some high street names but such leading stocks as Marks & Spencer and GUS closed easier.

A steady performance from sterling had little effect on the blue chip internationals, which were unsettled by Wall Street's fall overnight.

Over the full range of the market, genuine investment business remained relatively light. Traders ascribed the increase in Seaq business to 507.7m shares yesterday, from 432.3m on Monday, to intra-market activity. Stock Exchange statistics show that retail, or customer interest in equities in the London market has fallen back over the past week.

Hillsdown interim pleases

HILLSDOWN put in the best performance among the FT-SE 100 stocks yesterday, reflecting relief in the market that the food manufacturing company had announced interim results in line with most analysts' forecasts. The shares advanced 10 to 249p on heavy turnover of 5.9m.

The £77.6m profits were slightly below last year's figures. Since the beginning of the year the shares have been hit first by a bear raid and then by the downturn in the economy, and the flat results were greeted with relief by nervous institutional investors. The rise in the dividend by 0.2p to 2.2p was also welcome news.

However, a note of caution crept into the market as analysts lowered full-year estimates slightly to £195m to £198m from £200m to £205m after the company warned of weakness in poultry profits and foresaw no strong recovery in its non-food division.

Sun Alliance nerves

The insurance sector of the market braced itself for bad news from composite insurer Sun Alliance, which reports interim figures this morning. Specialists are looking for Sun Alliance to reveal heavy losses from its mortgage indemnity business.

Big losses from this area were reported two weeks ago by Eagle Star, the BAT Industries subsidiary, and analysts moved quickly to adjust their expectations for Sun Alliance, along with Legal & General and Royal Insurance, the biggest players in the mortage indemnity area.

The market range of expectations for Sun Alliance's losses during the first half extends from around £35m to more than £100m, with the general consensus put around £75m. A dividend increase of up to 10 per cent to 5.5p is commonly expected, although many analysts think a 6 to 7 per cent rise would be acceptable. Sun Alliance shares held at 376p.

Heavy Asda trade

Asda, the food retailing group, was actively traded on speculation late in the day that it may soon announce senior boardroom appointments to improve its standing with investors. The shares gained 2 to 96p on turnover of 9.8m.

One of the main suggestions was that Sir John Harvey-Jones, former chairman of ICI, may be asked to become chairman. Talk also resurfaced that Mr Archie Norman, finance director at Kingfisher, could become the chief executive.

Water shares were among the market's best performers as the institutions took the view that the latest moves by Mr Ian Byatt, the water industry regulator, had been overplayed and that the sector would benefit strongly if the governing Conservative party were to win the next general election.

The latest cut in domestic interest rates was viewed by dealers as another positive development for the Tory party, which has, according to the most recent opinion polls, overtaken the Labour party opposition

Dealers said there had been evidence that institutions had again been switching out of the smaller water issues and into the Footsie stocks, a trend initiated some months ago. Heavy turnover in the big water stocks in recent sessions confirmed this view, it was said. Severn Trent was the most active stock in the sector with 7.4m shares traded as the price advanced 9 to 359p. Anglian, on 5.8m, added 6 at 391p.

Mr Kevin Lapwood at Charterhouse Tilney said the market had overestimated regulatory and political worries.

Kleinwort Benson was the driving force behind some strong gains in the regional electricity stocks (recs). Simon Williams, at Kleinwort, said that once the market had discounted earnings recovery, in the event of an end to the recession in the UK, "there will be a strong refocusing on earnings and dividend certainty, of which the recs are a logical beneficiary".

The merchant bank highlighted the attractions of the Electricity Package, which rose 50 to £2135.

Second-quarter results from BAT Industries were very much in line with observers' forecasts as they had already been signalled by the poor results from BAT's subsidiary Eagle Star. The shares closed 2 off at 696p.

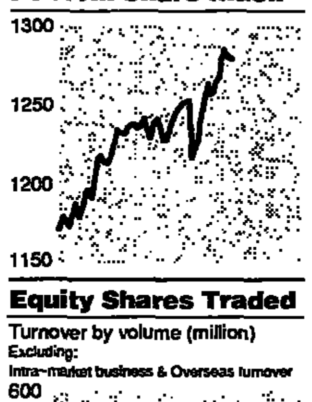
Reckitt & Colman was firm ahead of interim figures due today, rising 11 to 726p. Hoare Govett is anticipating profits of £123m, up from £113m at the same time last year, and argues that the shares are undervalued.

Revived speculation that Kingfisher may bid for Ratners caused some excitement in the stores sector. But stores specialists believed the interest in Ratners was more likely to come from suggestions that Ratners may announce a pension holiday with its interim results in a fortnight's time. Kingfisher eased 5 to 567p and Ratners added 5 at 134p.

Storehouse improved 5 to 116p as Morgan Stanley made positive noises about BhS's autumn range. Morgan Stanley was also behind a rise of 5 to 266p in Dixons, where it was confident about current trading. Burton gained 2½ to 46p as Goldman Sachs, a long-time bear, changed its recommendation to buy.

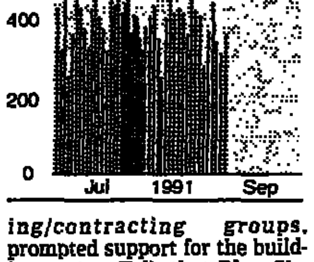
A cut in base rates plus relief at interim results from Amec and George Wimpey, two of the UK's big housebuilding/contracting groups, prompted support for the building sector. Talk that Blue Circle (BCI) will launch a £400m-plus rights issue with its interim today was not entirely convincing, with at least two of the big broking houses arguing that the chances of a cash call were only one-in-three. BCI held at 268p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Amec raced up 15 to 218p after interim profits of £21.9m, at the top end of estimates, and a dividend increase described as "a pleasant surprise" by sector specialists. Wimpey's maintained dividend, the absence of a rights issue and the fact that it managed to achieve a profit for the period promoted support for the shares, which ended 7 better at 178p. BZW pencilled in a full-year forecast of £58m for Wimpey, with £62m expected the following year.

A presentation by Williams Holdings to around 150 institutions and analysts yesterday morning prompted a strong showing in the shares. The company provided an in-depth view of the performance of Yale & Valor since its acquisition by the group in March. Mr David Ireland of securities house Hoare Govett said Williams gave "a polished performance with a lot of detail". The shares rose 11 before easing in the afternoon to close 6 up at 352p on turnover of 2.7m.

Waste management group Attwoods, on unusually heavy turnover of 2.4m, climbed 9 to 220p. The bulk of the turnover was accounted for by an agency cross of 750,000 shares, which would be double counted on the Seaq ticker. The bounce appeared to herald the disappearance of a large seller. One observer said a big fund manager had been reducing its stake from 8 per cent to 5 per cent recently.

T & N gained 5 to 178p on turnover of 2.4m on recovery prospects in a number of its markets, after reporting a steep fall in interim profits from £46.1m to £20.3m in line with market forecasts.

Mr John Goldschmidt at Charterhouse Tilney said the results provided "some encouragement for the next year", but he maintained his full-year profits forecast of £55m.

Mr Sandy Morris at County NatWest said: "There is enormous recovery potential in T & N, but it needs to be fast and strong if it is to justify the current rating." He cut this year's estimate by £13m to £45m and 1992's by £6m to £80m.

Croda International dropped 19 to 160p as the company announced results worse than feared and cut its dividend. Lehman Brothers, broker to the company, reduced its full-year forecast by £4m to £21m. Mr Martin Glen of Lehman said the yield was still above the market average but the dividend cut could prompt selling by income funds, which hold much of the stock.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jim McCallum, Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 20.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (185).
BRITISH FUNDS (34) Treas. 8pc 1991, Tr 10pc 1992, Tr 2½pc IL 1992, Tr 8pc 1992, Ex 10½pc Cv 1992, Tr 3pc 1992, Tr 8¾pc 1993, Tr 10pc 1993, Fd 6pc 1993, Tr 8½pc 1994, Tr 10pc 1994, Tr 9pc 1994, Ex 10¼pc 1995, Tr 9pc '92-96, Cv 10pc 1996, Do. B, Ex 10½pc 1997, Tr 8¾pc 1997, Ex 9¾pc 1998, Tr 6¾pc '95-98, Ex 12pc 1998, Tr 9½pc 1999, Ex 12¼pc 1999, Tr 10½pc 1999, Cv 10¼pc 1999, Tr 14pc '98-01, Tr 2pc IL 1994, Tr 2pc IL 1996, Tr 2½pc IL 2001, Tr 2½pc IL 2003, Tr 2pc IL 2006, Tr 2½pc IL 2009, Tr 2½pc IL 2011, Tr 2½pc IL 2013. CORPORATION LOANS (1) Leeds 13½pc 2006, COMMONWEALTH & AFRICAN LOANS (1) Sth. Rhod 4½pc '87-92, BANKS (2) Bk of Scot., Do. 9¾pc Prf., BREWERS (2) Greene King, Wolv. & Dudley, BUILDINGS (5) Ashtead, Epwin, Newman-Tonks, Persimmon, Rugby, CHEMICALS (5) Halstead (J), Hickson, Plysu, Porvair, Rentokil, STORES (8) Cantors A, Fine Art Devs., Liberty, Next, Pentos, Sherl, T & S, ELECTRICALS (9) Black, Brit. Telecom, CPU Computers, Delta, Domino Printing, Electrocomponents, Farnell, Multitone, Thorn EMI, ENGINEERING (13) APV, Ash & Lacy, BM, Cardo, Fairey, McKechnie, Meggitt, Rotork, Senior, Spirax-Sarco, TI, Victaulic, Vosper, FOODS (8) Dalgety, Everest, Hazlewood, Iceland Frozen, Northern, Park, Perkins, Salvesen (Ch), Sutherland, INDUSTRIALS (41) AIM, Avon Rubber, BBA 6¾pc Prf., BSS, Baynes (C), Bibby (J), Bimec, Brit. Polythene, Community Hospitals, Courtaulds, EIS, Faber Prest, Hays, Inchcape, Intercare, Johnson Cleaners, Kalon, Low & Bonar, Mitsubishi Paterson Zochonis, Do. A N/V, Portals, Proudfoot (A), Radiant Metal, Reckitt & Colman, Reliance Security, Reuters, Rexmore, Serco, Seton Healthcare, Shanks & McEwan, Sidlaw, Silentnight, Tomkins (FH), Do. 5.6pc Prf., Do. 8¼pc Prf., Vinten, Warner Howard, Williams, Do. 5¼pc Prf., Do. 8p Prf., INSURANCE (5) Bradstock, Britannic, Lloyd Thompson, Oriel, Refuge, LEISURE (2) Central TV, Scottish TV, MOTORS (2) Cowie (T), Sanderson Murray Elder, NEWSPAPERS (2) Johnston Press, [illegible] Invs., TR City of Lon. Dfd., TR Technology Zero Prf., Throg. Dual Inc., Tor Inv., Venturi Inc., Yeoman Cap., OILS (2) Fairhaven, Pittencrieff.

NEW LOWS (14).
BUILDINGS (1) Sandell, ELECTRICALS (2) Applied Holographics, Enterprise Computer, HOTELS (1) Paramount, INDUSTRIALS (1) London Finance, LEISURE (2) Expedier, Yorkshire TV, TRUSTS (5) Drayton Cons., English & Caledonian, Nall Home Loans, Do. 7½pc Prf., Worth, OILS (1) Sceptre Rcs., MINES (1) Sons of Gwalia.

FINANCIAL TIMES STOCK INDICES

	Sept 4	Sept 3	Sep 2	Aug 30	Aug 29	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.38	86.39	86.16	85.96	85.98	78.67	86.39 (3/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.32	95.35	95.27	94.94	94.91	86.42	95.35 (3/9)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2094.2	2096.4	2108.3	2079.3	2088.2	1672.2	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	160.2	158.6	150.5	149.5	157.6	192.3	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2664.6	2669.0	2679.6	2645.7	2638.2	2152.2	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1196.2	1198.60	1197.26	1189.66	1188.76	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.54	4.53	4.50	4.56	4.59	5.68				
●Earning Yld %(full)	7.39	7.38	7.33	7.43	7.48	12.09				
●P/E Ratio(Net)(☆)	16.88	16.91	17.02	16.79	16.67	10.03				
SEAQ Bargns 4.45pm	30,161	30,102	29,544	34,096	30,491	17,014				
Equity Turnover(£m)†	-	791.17	692.79	777.5	1031.02	577.28				
Equity Bargains†	-	30,298	29,581	34,107	30,460	16,325				
Shares Traded (ml)†	-	360.6	315.8	348.8	445.3	303.7				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 16.07

Ordinary Share Index, Hourly changes — Day's High 2105.1 — Day's Low 2086.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2086.9	2090.4	2097.3	2098.6	2096.9	2097.2	2097.0	2086.3	2086.3

FT-SE 100, Hourly changes — Day's High 2679.9 — Day's Low 2657.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2658.6	2662.3	2668.8	2671.4	2669.2	2669.3	2669.4	2670.1	2663.8

FT-SE Eurotrack 200, Hourly changes — Day's High 1200.28 — Day's Low 1195.95

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1198.3	1196.52	1198.05	1196.25	1198.41	1196.63	1197.12

GILT EDGED ACTIVITY

Indices*	Sept 3	Sept 2
Gilt Edged Bargains	84.5	86.7
5—Day average	77.3	75.8

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	103	500		Cookson	951	126	+2	Lucas	1,800	158	-1	Seeboard	47	210	+2
ASDA Group	9,800	96	+2	Courtaulds	585	480	+3	MB Caradon	935	266	-2	Severn Trent Water	7,400	359	+9
Abbey National	935	329		Dalgety	258	438	+3	MEPC	1,300	486	-1	Shell Transport	1,200	533	-4
Albert Fisher	2,200	104	+1	De La Rue	1,100	458	+5	Manweb	922	254	+8	Siebe	462	523	+5
Allied-Lyons	777	615	+3	Dixons	3,200	266	+5	Marks & Spencer	2,800	289	-3	Slough Ests	859	272	+4
Amstrad	473	50½	-½	ECC Group	456	446	-7	Maxwell Comms.	323	184	+½	Smith (W.H.) A	613	468	-5
Anglian Water	5,800	391	+6	Eastern Elect.	2,400	186	+3	Midland Bank	4,000	254	-2	Smith & Nephew	457	137	-½
Argos	711	334	-3	East Midland Elect.	2,800	208	+6	Midlands Elect.	490	206	+2	SmKl Beecham	2,000	802	-3
Argyll Group	2,100	308	+3	Enterprise Oil	341	532		NFC	1,000	206	-1	SmKl Beecham Uts.	137	3483	-5
Arjo Wiggins	755	284	-1	Eurotunnel Units	497	485	-1	NatWest Bank	1,400	346	-1	Smiths Inds.	224	397	-1
Ass. Brit. Foods	1,300	514	+1	FKI	1,700	70	+1	National Power	7,100	158½		Southern Elect.	784	203	+2
[illegible]				[illegible]				[illegible]				[illegible]			
British Land	703	313	+3	IMI	859	263	-2	Rentokil	281	381	+4	Unigate	485	324	-3
BP	1,700	349	-1½	ICI	1,000	1361	-4	Reuters	481	906	-2	Unilever	1,800	767	-1
British Steel	3,000	128½	-2	Inchcape	617	395	+7	Rolls Royce	4,800	138	-1½	United Biscuits	439	401	-4
British Telecom	4,800	399		Kingfisher	303	567	-5	Rothmans	428	1086	-8	Utd. Newspapers	390	399	+3
Bunzl	974	104	-1	Ladbroke	2,400	286	-2	Ryl Bk Scotland	462	185	-1	Wellcome	1,300	737	-9
Burmah Castrol	811	589	-6	Land Securities	1,100	529½	-½	Royal Insurance	1,400	401	+3	Welsh Water	1,000	381	+6
Burton	3,800	46	+2½	Laporte	74	592	-3	Saatchi	895	16		Wessex Water	681	392	+8
Cable & Wire.	2,200	587	-12	Legal & General	800	450	+3	Sainsbury	3,000	373	+6	Whitbread 'A'	305	487	-4
Cadburys	2,200	398	-5	Lloyds Abbey	342	423	+1	Scottish & New.	140	413	-2	Williams Hldgs.	2,700	352	+6
Calor Group	262	229		Lloyds Bank	1,400	390	+1	Scot. Hydro-Elect.	3,800	112	+½	Wills Corroon	349	303	-1
Carlton Comms.	2,400	501	-13	LASMO	588	321	-8	Scottish Power	6,500	106	+½	Wimpey	1,600	178	+7
Coats Viyella	4,800	172	+2	London Elect.	935	206	+4	Sears	5,500	90		Yorkshire Elect.	705	239	+3
Comm. Union	551	523	-3	Lonrho	512	237½		Sedgwick	2,400	260	-8	Yorkshire Water	934	406	+6

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

THE September FT-SE's futures premium to the spot index narrowed significantly yesterday as derivatives traders digested the implications of the latest cut in UK interest rates, writes Jim McCallum.

Initially, FT-SE futures moved higher after the government surprised the markets with the reduction in rates. But the gains were quickly given up, particularly in the futures market, where the belief grew that a general election is now more likely this year.

The possibility that political factors may begin to play a greater role in the market was the main reason behind the September FT-SE contract shedding some of its lead over the cash market.

By the close, the premium was standing at 15 points, against 20-25 earlier in the week. The narrowing in the premium was also the opportunity for arbitrageurs to begin to unwind positions. September closed 10 lower at 2,679.

Increased turnover in the stockmarket spilled over into traded options. Sears was again a busy market as one investor bought 1,000 December 70 and 90 calls and sold 2,000 December 80 calls. Dealers believed this reversed a transaction executed in the previous session.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
100⅛	99⅜	Exch 11pc 1991	100	..	11 00	10 40
99	96	Treas 8pc 1991	99	+	8 05	10 08
101	100	Treas 12¾pc 1992	100	+	12 64	10 07
99	97	Treas 10pc 1992	99	+	10.01	9.94
132	125	Treas 2pc IL 1992	132	+	2 00	8 21
98	95	Treas 8pc 1992	98	+	8.10	10.08
100	98	Treas 10½pc Cv 1992	100	+	10 47	9 97
96	91	Treas 3pc 1992	96	+	3 12	8 30
[illegible]						

Five to Fifteen Years

[illegible]						

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
101½	94	Treas 10pc 2003	101	-	9.88	9.84
109	102	Treas 11½pc 2001-04	108	-	10.56	10.05
[illegible]						

Over Fifteen Years

[illegible]						

Undated

[illegible]						

Index-Linked

[illegible]						

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
105	95	African Dv Bk 11¼Ln 2010	104	-	10.60	10.50
100	91	Asian Dev Bk 10¼pcLn2009	99	-	10.26	10.26
[illegible]						

CORPORATION LOANS

[illegible]						

COMMONWEALTH & AFRICAN LOANS

[illegible]						

LOANS

Building Societies

[illegible]						

Public Board and Ind.

[illegible]						

FOREIGN BONDS & RAILS

[illegible]						

Continued on next page

APPOINTMENTS

Quilter Goodison deputy chairman

■ At QUILTER GOODISON, the City-based private client and fund management arm of Commercial Union, Mr D.E.C. Roberts, at present managing director, will become non-executive deputy chairman on reaching his 60th birthday on February 29 next year.

He will continue to perform certain CU group responsibilities and to service his stockbroking clients.

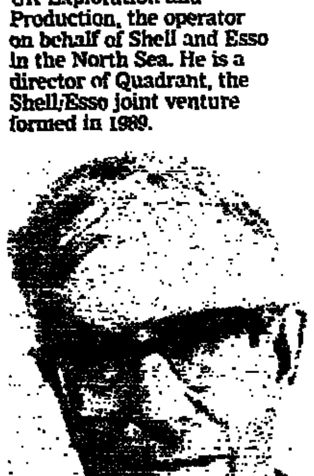
Mr Roberts' position as managing director will be assumed by Mr J.S. Smallbands, currently deputy managing director.

■ Mr Robert C. Carefull has resigned as a director and secretary of BROWN SHIPLEY HOLDINGS to take up his appointment as deputy group finance director of TSB Group.

Mr Michael J. Halsey, recently appointed as a director of Brown, Shipley & Co, becomes company secretary of Brown Shipley Holdings. Mr A. Hugh Eagle takes on the role of company secretary of Brown, Shipley & Co.

■ A natural gas directorate has been formed by SHELL UK EXPLORATION AND PRODUCTION to handle its expanding gas business.

The head of the new directorate is Mr Ian Wybrew-Bond, who since January last year has been natural gas manager for Shell UK Exploration and Production, the operator on behalf of Shell and Esso in the North Sea. He is a director of Quadrant, the Shell/Esso joint venture formed in 1989.



■ Sir Kenneth Couzens (pictured) has been appointed non-executive chairman of CREDIT LYONNAIS CAPITAL MARKETS, holding company for all the securities trading, investment management, corporate stockbroking, futures and fixed interest activities of Credit Lyonnais in London.

He was formerly permanent under-secretary of state at the Department of Energy, and has also held the post of deputy chairman of British Coal and is currently chairman of Coal Products.

Sir Kenneth succeeds Mr Ian Hay Davison, who has completed his three-year term of office and remains a non-executive director of CLCM.

■ At FIRSTDIRECT, the direct banking arm of Midland Group, Mr Kevin Newman is moving from operations director to become chief executive on October 1.

He succeeds Mr Michael Harris, who has been appointed chief executive of Mercury Communications, a subsidiary of Cable and Wireless.

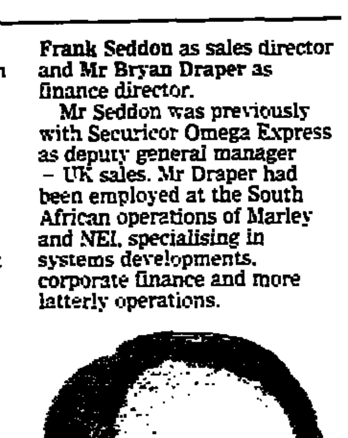
■ HUNTERPRINT, one of Britain's leading print and publishing groups, has appointed former BPCC director Mr Paul Jones as managing director of sales and marketing.

Mr Jones was a member of the board of BPCC Consumer Magazines, where he was sales director.

■ KALON GROUP has appointed Mr Chris Melia as managing director of its industrial coatings division. He formerly worked for International Paints for nearly 28 years, the last nine as director and general manager of its industrial coatings division.

■ ELAN, the UK overnight delivery company recently purchased from DHL by Allegro Holdings, named Mr Frank Seddon as sales director and Mr Bryan Draper as finance director.

Mr Seddon was previously with Securicor Omega Express as deputy general manager – UK sales. Mr Draper had been employed at the South African operations of Marley and NEI, specialising in systems developments, corporate finance and more latterly operations.



■ FOSTER WHEELER, the Reading based engineering contractor, has appointed Mr Geoffrey J. Rimer (pictured) as group company secretary. He succeeds Mr Colin Agombar.

Mr Rimer was company secretary of Woolworths from 1984. Previously he was group company secretary of M.J. Shanley (Contracting).

He has served in both central and local government since commencing his career with J. Walter Thompson in 1962.

LONDON SHARE SERVICE

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AMERICANS

1991 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
33¼	20¾	Abbott Laboratories‖	31⅝	-⅛	$1.00	-	1.9
385p	257p	♦Allegheny & W 1c	259p	.....	30c	-	6.8
10¼	667p	Amdahl 5c	819pxd	+13	10c	-	0.7
42¼	25½	Amer. Cyanamid $5	38	-1	$1.50	-	2.3
17¾	9½	Amer. Express 60c	15¼xd	-½	92c	-	3.6
24½	15¼	American T & T. $1	23⅛xd	.....	$1.32	-	3.4
38⅞	32½	Ameritech $1	36¼	-¼	$3.40	-	5.5
26	12⅞	BankAmerica $1⅞	25½xd	-⅜	$1.20	-	2.8
35⅝	20⅞	Bankers N.Y. $1	34⅜xd	-⅝	$1.52	-	8.3
30½	24¼	Bell Atlantic $1	29½xd	.....	$2.52	-	5.0
31¼	25	BellSouth Corp.	28⅝	+¼	$2.76	-	5.6
11¼	6⅞	♦Bethlehem Steel $8	10⅞xd	-⅛	40c	-	2.3
1839p	1046p	Bowater Inc.	1631p	+20	$1.20	-	4.3
54⅞	37⅞	CPC Intnl. 25c	54¼xd	-⅞	$2.00	-	2.2
930p	420p	California Engy.	930p	.....	-	-	-
50	28¼	Campbell Soup 15c	49⅞xd	+⅞	$1.16	-	1.4
12¼	5⅞	Chase Manhattan $12½	12xd	-⅛	$1.20	-	6.0
9⅞	5½	Chrysler $6¼	7¼xd	-⅛	60c	-	5.0
10¼	5⅞	Citicorp $1	8⅞xd	+⅛	$1.00	-	6.8
25	21⅞	Colgate-Palmolive $1	24¼xd	-⅜	$1.06	-	2.6
928p	438p	Cont'l Bank Corp $4	731p	-1	60c	-	4.8
21¼	13⅞	Dana Corp. $1	18xd	+¼	$1.60	-	5.3
1168p	203p	Data General	1136p	-10	-	-	-
22¼	12⅝	Dial Crop. $1.5	21½xd	.....	$1.40	-	3.8
29⅝	20¾	Dun & Bradstreet $1	25¾	-½	$2.16	-	4.9
40	24¼	*Eaton Corpn. 50c*	38¼	.....	$2.20	-	-
8½	5½	Echlin Inc.	7⅞xd	-⅛	70c	-	5.3
20¼	14⅞	FPL Group 1c	19⅞xd	-¼	$2.40	-	7.3
30⅞	17⅞	Fluor Corp 62½pc	26¼xd	.....	32c	-	0.7
23¼	13¼	Ford Motor $1	18¼	-⅞	$1.60	-	3.3
46⅞	28⅞	Gen. Elect. 63c	43¾xd	-⅞	$2.04	-	2.8
566p	270p	♦General Host Corp $1	453p	.....	34c	-	4.4
45¼	20¾	Gillette $1	25⅞xd	-⅛	62c	-	1.4
18¼	794p	Hasbro Inc 50c	16	.....	24c	-	0.9
38½	21¼	Honeywell $1½	32⅞xd	-1	$1.50	-	2.7
23¼	17¾	Houston Inds.‖	22⅛	.....	$2.96	-	7.9
72⅞	55⅞	IBM Corpn $1¼	57⅞xd	+¼	$4.84	-	4.9
32½	18⅞	Ingersoll-Rand $2	28¼xd	-⅞	$1.32	-	2.8
28¼	16¾	Lockheed Crpn. $1	24⅞xd	-⅜	$2.00	-	4.7
2155p	1245p	Lowe's 50c	2000p	-33	56c	-	1.7
18⅞	9½	Manuf. Hanover $1	17⅛xd	.....	♦$3.28	-	11.0
26⅞	10⅞	Merrill Lynch $1	24⅞xd	-⅛	$1.00	-	2.4
33⅞	21⅞	Morgan (JP) $2½	32⅞xd	-⅛	$1.98	-	3.6
44¼	25⅞	Morris (Philip)	43½	-⅛	$2.10	-	2.9
46¼	39	NYNEX $1	44⅛	-¼	$4.56	-	6.0
89p	15p	♦Pac. Agricultural	15p	.....	-	-	-
23⅞	11⅞	Pall Corp. 25c	22¾	-½	144c	-	1.1
46¼	33¼	Pennzoil 83 1/3c	39⅛xd	-½	$3.00	-	4.5
40½	24⅞	Quaker Oats $5	35½xd	-½	$1.56	-	2.6
41¼	24⅞	Rep NY Corpn $5	41xd	-¼	$1.40	-	2.0
17⅞	12⅛	Rockwell Intl. $1	15⅞xd	-⅛	86c	-	3.5
25⅝	12⅞	Sears, Roebuck 75c	23⅞xd	-⅞	$2.00	-	4.9
34¼	25⅞	Southwestern Bell $1	32¼xd	+¼	$2.84	-	5.1
20¼	14⅞	Sun Co. Inc. $1	19½xd	-⅛	$1.80	-	5.6
27¼	21¼	Tenneco $5	23⅞xd	-⅞	$3.20	-	7.6
40½	29⅞	Texaco $6.25	37½xd	-⅛	$3.20	-	5.0
26⅛	17⅛	Texas Instr. $1	18¼xd	-⅛	72c	-	2.3
*64½	37⅞	Time Warner $1	47⅞xd	-1⅛	$1.00	-	1.2
16¼	8¾	TRINOVA Corp.	14⅞xd	-¼	68c	-	2.8
538p	250p	♦Unitab	512p	.....	-	-	-
29⅝	22⅛	Utd. Technologies	28½xd	-⅛	$1.80	-	3.8
92p	42p	♦Utilitech Inc.	82p	.....	-	-	-
23	18¼	US West‖	21⅛	-⅛	$2.08	-	5.7
162p	87¾p	Varity Corp‖	146p	-½	$1.30	-	-
24⅞	16½	Waste Management $1	22⅞	-⅞	44c	-	1.2
2200p	1053p	Whirlpool $1	2169p	-19	$1.10	-	3.0
20⅞	13½	♦Woolworth $3½	18⅞	-⅛	$1.08	-	3.5

CANADIANS

1991 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
11p	8½p	♦Abbot Energy Corp.	10½p	.....	-	-	-
1477p	953p	♦Amer. Barrick Res.	1293p	.....	8c	-	0.3
19⅝	13	Bk. Montreal‖	19⅞	+⅛	$2.12	-	5.6
1015p	536p	Bk. Nova Scot.‖	1002pxd	+4	$1.00	-	5.1
831p	639p	♦BC Gas $1	818p	.....	60c	-	3.7
24	17¼	BCE‖	23	-¼	$2.56	-	5.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

For Varity see Americans

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

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LEISURE

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
708	155	Airtours 10p	634	–5	[illegible]8.25	2.9	1.7	19.9
189	71½	Allied Leis. 5p	107	–2	F4.75	3.5	5.9	7.5
246	140	Anglia TV	163	+1	9.28	2.4	7.6	7.5
91	14	Avesco 1p	27	.....	1.5	1.1	7.4	(16.7)
9	4½	BCE Hldgs 5p	5½	.....				–
178	123	Barr & W.A.T. 'A'	172	.....	9.75	1.7	7.6	10.6
745	425	Boosey & Hawkes	745	.....	16.4	2.7	2.9	14.9
[illegible]	28	Border T.V.	53½	+1	2.1	♦	5.2	♦
[illegible]	13½	Brent Walker 10p	16	+½	5.0	–	–	–
[illegible]	4	Do 6pc Cv Cm Rd Pf £1	5½	.....	–	–	–	–
55	13	Buckingham Int'l. 10p	23	.....	‡2.1	1.8	‡	5.4
350	188	Campari Int. 20p	346	.....	†11.0	2.9	4.2	9.5
212	134	Capital Radio 2½p	211	+½	5.25	2.9	3.3	13.9
[illegible]	350	Carlton Comms 5p	501	–13	‡14.1	2.4	3.8	14.0
82	61	Do. 6.5p Prf 5p	79	–1	6.5	–	11.0	–
253	168	Castle Comms. 5p	219	+2	8.5	1.7	5.2	14.7
[illegible]	480	Central ITV	909	+14	28.5	1.4	4.2	22.2
163	120	Chiltern Radio 10p	163	.....	14.8	2.6	3.9	12.5
189	39	Chrysalis	76	.....	‡2.0	–	‡	–
69	27	Cityvision 5p	40	+5	1.0	7.0	3.4	5.2

PROPERTY

TRANSPORT—Contd

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

WATER

OIL AND GAS

MINES—Contd

Tins

Miscellaneous

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	114.4	114.4xd	121.3	+0.1	9.48
High Inc Equity	6	138.4	142.0	151.0	+0.4	5.63
Worldwide Bond	6	208.8	208.8xd	221.3	-0.9	6.78
Capital Growth						
American Growth	6	210.5	210.5	224.8	-2.2	.97
Asian Pacific	6	129.3	127.9	136.0	-0.3	1.15
Assets & Earnings	6	185.4	189.4	201.4	+0.3	2.87
Capital Reserve Acc	0	107.8	107.8	107.9	+0.1	7.03
Capital Reserve Inc	0	85.27	85.27	85.33	+0.05	7.03
Comdty & Energy	6	74.07	74.07xd	79.21	+0.32	1.88
1992 Enterprise	6	65.47	65.47	70.02	-0.07	2.76
Euro Capital Acc	6	89.29	89.29	95.49	-0.18	1.42
Euro Capital Inc	6	85.31	85.31	91.24	-0.17	1.42
General	6	175.6	175.6xd	187.8	+0.3	2.66
Japan	6	94.16	94.16	100.7	+0.1	-
Mastertrust	6	90.83	90.83	97.14	+0.08	2.10
UK Growth Acc	6	166.1	166.1	177.6	+0.9	2.55
UK Growth Dist	6	106.8	106.8	114.2	+0.6	2.57
US Emerging Cos	6	71.47	72.89	77.54	-0.09	-
Income & Growth	6	315.6	315.6	337.5	+0.2	4.15
Ethical	6	52.68	52.68	56.34	+0.25	3.00
International	6	62.65	63.42	67.46	-0.02	1.30
Dividend & Growth	6	51.01	52.24	55.57	+0.06	5.40
Global Gwth & Sec	6	51.79	52.09	55.41	-0.08	1.80

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Small Cos	0	1021.0	1021.0	1076.0	...	0

Abtrust Unit Trust Managers Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	31.70	31.70	33.62	-0.11	2.36
Cash	-	50.04	50.04xd	50.04	+0.01	10.41
European	5¼	71.35	71.35	75.72	-0.04	0.30
European Income	5¼	74.11	74.54xd	78.63	+0.07	1.55
Exempt	1	796.9	796.9	822.1	-0.3	4.97
Extra Income	5¼	40.80	40.80xd	44.15	+0.13	5.62
Far East Emerg Econ	5¼	50.53	50.53	54.23	-0.05	1.18
Fund Inv Tst	5	117.8	119.3	127.4	+0.2	1.35

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 071-493 8111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Progressive Inc	5	£18.55	18.55	19.58		0.85
Progressive Acc	5	£27.95	27.95	29.90		0.85
International Inc	5	£19.45	19.45xd	20.53	+0.16	0.94
International Acc	5	£26.39	26.39	27.85	+0.17	0.94
Can & Foreign Inc	5	230.1	230.1	242.8		0.47
Can & Foreign Acc	5	275.0	275.0	290.2		0.47
Special Sits Inc	5	205.8	205.8	217.2		0.74
Special Sits Acc	5	223.5	223.5	235.9		0.74
PEP Inc	5	137.4	139.9	147.7		1.74
PEP Acc	5	146.7	149.4	157.7		1.74
Growth Inc	5	80.48	80.48xd	84.94		0.59
Growth Acc	5	81.50	81.50xd	86.02		0.59

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 071-236 6441

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Dolphin Special Sits	5½	120.5	120.5	128.8	+0.2	4.06
Dolphin Dividend	5½	60.64	60.64xd	64.85	-0.58	5.33
Dolphin Int Inc & Gth	5½	159.6	159.6	170.6	-1.3	4.69
Dolphin UK & Gen	5½	34.93	35.11xd	37.55	-0.18	3.06
Dolphin Fund of Funds	5½	47.54	47.54	50.84	-2.17	1.66

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	80.04	80.04	85.60	+0.28	2.71
Do (Accum)	6	84.76	84.76	90.65	+0.29	2.71
Service Cos	6	66.78	66.78	71.43	+0.33	2.46
Do (Accum)	6	70.26	70.26	75.14	+0.34	2.46
Income Growth	6	44.32	44.32	47.40	+0.13	5.18
Do (Accum)	6	62.41	62.41	66.74	+0.18	5.18
Higher Yield	6	33.61	33.61	35.95	+0.26	5.18
Do (Accum)	6	42.42	42.42	45.37	+0.33	5.18
American Gth Inc	6	33.65	33.65xd	35.99	-0.10	1.28
Do (Accum)	6	34.29	34.29	36.68	-0.10	1.28
European Growth	6	25.34	25.34xd	27.10	-0.12	1.88
Do (Accum)	6	26.20	26.20	28.02	-0.13	1.88
Global Bond Inc	6	22.87	22.91	24.50	+0.02	6.58
Do (Accum)	6	26.43	26.47	28.31	+0.02	6.58
Managed P'folio Inc	6	25.75	25.84	27.63	+0.01	-
(Do Accum)	6	25.75	25.84	27.63	+0.01	-

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262/3/4/5

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	83.50	83.50xd	88.93	+0.30	2.34
Mngd P'folio Acc	6	154.1	154.1	164.1	+0.40	-
UK General	6	120.8	120.8	128.7	+0.30	3.94
Conv & General	6	17.57	17.57xd	18.71	+0.05	10.17
European Inc	6	20.92	20.92	22.52	-0.01	0.50
European Acc	6	21.38	21.38	23.01	-0.01	-
Exempt	3	296.3	296.3	311.8	+4.90	4.34
Financial	6	102.8	102.8xd	109.5	-	4.32

MGM Unit Managers Ltd (1000)H
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income F	5	271.5	274.3	291.8	+0.2	5.82
(Accum Units) F	5	426.9	431.5	459.0	+0.3	5.82
UK Growth F	5	320.4	324.3	344.9	-0.1	4.09
(Accum Units) F	5	379.2	383.9	408.3	-0.1	4.09
Int Equity Gth ♦ F	5	51.29	51.51	54.79	-0.22	1.29
Intl Bond F	5	52.54	52.54	55.20	+0.3	6.87
Special Sits F	5	17.22	18.08xd	19.23	-0.13	3.28
North American F	5	71.61	71.91xd	76.50	-0.97	1.02
European Growth ♦ F	6	50.04	50.29	53.49	-0.11	1.41

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
MW Joint Investors	0	1065.0	1065.0	1096.9	—	4.31

Maldon Unit Trust Managers Ltd (1400)F
15 St Botolph St, London EC3A 7EE 031 226 6066

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maldon General	0	118.1	118.1	121.1	...	5.47

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings: 071-256 5858

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	139.3	140.7xd	149.7	+0.3	3.59
Gilt & Fxd Int	5	149.1	149.1	156.8	+0.1	8.05
Intl Growth	5¼	148.3	148.3	157.8	-1.6	0.43
North American ♥	5¼	100.7	101.9xd	108.4	-1.1	0.30
Far East	5¼	114.8	114.8	122.1	+0.2	0.51
UK Smaller Cos	5¼	102.7	102.7	109.3	+0.3	3.07
European	5¼	53.90	53.90	57.45	-0.22	0.93
Japanese Growth	5¼	35.32	35.32	37.86	+0.12	0.00
Managed P'folio	5¼	50.31	50.90	54.15	-0.07	1.30
High Income	5¼	156.9	158.7	168.8	+0.7	5.55
High Yielding Gilt	5¼	61.35	61.35xd	64.59	-0.01	10.31
Cash	-	51.75	51.75	51.75	+0.01	9.46

MIM Britannia Unit Tst Mgrs Ltd (1000)F
11 Devonshire Square, London, EC2M 4YR 071-626 3434
Dealing: 0800 010733

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Specialist Trusts						
Investment Tst	5¼	52.16	52.16	55.41	-0.07	3.38
Smaller Cos	5¼	20.51	20.51xd	21.79	+0.12	2.94
Special Features	5¼	23.56	23.56	25.03	+0.07	2.7
(Accum Units)	5¼	26.61	26.61	28.27	+0.07	2.7
General Funds						
Assets & Earnings	5¼	64.62	64.62xd	68.65	-0.10	3.23
Accum Units	5¼	73.00	73.00	77.56	-0.11	3.23
General Equities	5¼	65.61	65.61xd	69.71	-0.28	4.07
Great Britain Cos	5¼	42.57	42.57	45.61	+0.01	2.44
Managed Invest	5¼	72.52	72.52	77.48	-0.16	1.4
Super Childrens Tst	5¼	67.94	67.94	72.56	-0.15	2.85
UK Growth	5¼	47.12	47.12	50.06	-0.02	3.11
High Income Funds						
Cashbox* ♦	-	50.34	50.34xd	50.34	+0.01	11.00
Extra Income	5¼	75.13	75.13xd	81.07	-0.08	6.5
Gilt	5¼	25.01	25.01	26.35	+0.02	8.77
Income & Growth H	5¼	35.64	35.64	38.15	+0.02	4.65
Preference Shares	5¼	14.55	14.55xd	15.45	+0.05	11.50
UK Income	5¼	277.2	277.2	297.4	+4.20	4.38
Sector Specialist Funds						
Commdty Shs	5¼	35.91	35.91	38.15	-0.12	0.56
Financial Securities	5¼	44.83	44.83	47.63	.....	3.28
Gold	5¼	36.38	36.38	38.92	+0.66	2.17
Accum Units	5¼	38.37	38.37	41.05	+0.69	2.17
Intl Leisure	5¼	20.29	20.29	21.55	+0.01	0.24
Property Shares	5¼	52.46	52.46xd	55.73	-0.05	2.72
Overseas Growth Funds						
American Growth	5¼	37.54	37.54xd	40.01	-1.40	1.57
US Smaller Cos	5¼	82.67	82.67	87.83	-0.40	-
(Accum Units)	5¼	83.55	83.55	88.77	-0.39	-
Europe Perf	5¼	89.07	89.07xd	94.64	+0.02	1.41
(Accum Units)	5¼	90.44	90.44	96.10	+0.02	1.41
Euro Smaller Cos	5¼	19.08	19.08	20.27	+0.08	1.08
French Growth	5¼	49.93	49.93	52.96	-0.10	1.79
Accum Units	5¼	52.09	52.09	55.24	-0.11	1.79
Hong Kong & China	5¼	37.01	37.01	39.27	.....	3.12
Intl Growth	5¼	41.42	41.42	44.00	-0.13	1.84
Japan Perf H	5¼	30.11	30.11	31.95	+0.05	-
Accum Units H	5¼	30.11	30.11	31.95	+0.05	-
Japan Smaller Cos	5¼	28.87	28.87xd	30.70	-0.11	-
Singapore ASEAN	5¼	52.60	52.60	57.02	+0.02	1.11
Accum Units	5¼	52.92	52.92	57.37	+0.02	1.11
SE Asia H	5¼	145.9	145.9	156.5	-0.18	1.39
Overseas Income Funds						
Global Income	5¼	66.04	66.04	70.32	-0.21	4.74
Intl Bond	5¼	44.10	44.10xd	46.44	-0.01	8.05
NEL Trusts						
Nelstar Gilt & FI	2	70.33	70.33	72.09	+0.09	9.26
Exempt Funds						
European Dist	5¼	89.82	89.82xd	95.38	-0.08	1.94
European Acc	5¼	92.48	92.48	98.21	-0.08	2.95
Exempt	3¼	129.6	129.6	136.5	+0.40	5.11

* Compound Annual Rate

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H
20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0123

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	169.2	169.2	180.7	-0.3	0.80
European Gth Inc	5¼	200.7	200.7	214.0	-0.8	0.00
European Gth Acc	5¼	200.7	200.7	214.0	-0.8	0.00
Intl Gwth	5¼	144.1	144.1	153.2	-0.7	0.00
UK Equity Inc	5¼	124.1	124.1	133.4	-0.1	6.06
UK Equity Acc	5¼	139.8	139.8	150.2	-0.1	6.06
UK Ind Tracker Inc	5	127.6	127.6xd	136.2	-0.3	3.62
UK Ind Tracker Acc	5	138.7	138.7xd	148.0	-0.3	3.62
US Eq Ind Tracker Inc	5	146.7	146.7xd	157.3	-1.5	2.86
US Eq Ind Tracker Acc	5	152.3	152.3xd	163.4	-1.5	2.86
Japan Tracker	5	59.82	59.82	63.44	-0.08	0.00
Asian Trader	5¼	84.64	84.64	90.53	-0.38	1.48
Managed Inc	5¼	102.5	102.5	110.2	-0.3	1.90
Managed Acc	5¼	104.2	104.2	112.0	-0.3	1.90
Cash Inc	0	100.57	100.57xd	100.57	+0.02	10.49
Cash Acc	0	110.44	110.44xd	110.44	+0.03	10.49
Europa	5¼	104.9	104.9	112.3	-0.2	0.00

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Unit Tst	4	120.47	120.47	127.98	+0.14	2.60
Exempt Smlr Cos	3¼	233.51	233.51	253.09	+1.41	1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

مكبرة من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Allied Dunbar Assurance Plc

Century Life Plc

Eagle Star Life Assurance Co Ltd

Guardian Royal Exchange

Legal & General (Unit Pensions) Ltd

Manulife Group—Contd.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	110 0	115 3	+0 1	-
Pension Managed Fd	109 9	115 6	+0 2	-
Life Deposit Fd	109 1	114 9		-
Pension Deposit Fd	115 1	121.1		-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury HP19 3EJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	115.1	121 2		-
Managed Growth	141 4	148 9	-0 1	-
Managed Opportunity	141 3	148.3		-
NFMC Target Financial	106 4	112 0	-0 3	-
Pension Funds				
Managed Cautionary	125 4	132 1		-
Managed Growth	149 5	157 4	-0 2	-
Managed Opportunity	141 5	149 0		-
NFMC Target Mngd Pen.	1584 1	1667.5	-2 5	-

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	168.7	177 6	+2.1	-
UK Equity	187 9	199 0	+3 0	-
Overseas Equity	135.3	142.5	+0 9	-
Fixed Interest	150 9	158 9	+1.7	-
Property	135 0	142.2	+1 6	-
Index Linked	149 6	157 5	+1 7	-
Deposit	160 7	169 2	+0 4	-
With Profits (B)	131.6	138 5	+0 2	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	364 2	383 4	-0 1	-
UK Equity	465 7	490 3	-0 6	-
Overseas Eq	352 3	370 9	-1 0	-
American	295 6	[illegible]	-2 6	-
Far East	363 7	382 9	-0 3	-
Property	193 8	[illegible]		-
Fixed Int.	[illegible]	290 [illegible]	+0 2	-
Indexed Gilt	[illegible]	[illegible]	+0 6	-
Deposit	184 9	[illegible]		-
Pension Fund (Accum Units)				
Managed	532.8	560 4	-0 2	-
UK Equity	628 9	662 0	[illegible]	-
Overseas Eq	585 4	616 3	-2 2	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

FT MANAGED FUNDS SERVICE

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Tudor G-5 Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Aug 21	$1,116.44		....	-

Tudor G-5 Unit Trust (Japan)

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Aug 28	$1094.02		....	-

Tyndall International (Bermuda) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
American Special Sits	$53.95	56.66	-0.07	-
Capital Protection (z)	C$11.92	12.52	+0.01	-
Commodity	$15.28	15.95	+0.01	-
Eurobond	$32.84	34.49	+0.04	-
Money (z)	$37.66	39.54	+0.01	6.84
Mortgage (z)	C$16.35	17.17	....	-
North American	$44.66	46.90	-0.13	-
Overseas	$26.46	27.80	....	-
Pacific Gold	$3.43	3.62	+0.08	-
Tiger	$41.66	43.76	-0.78	-

Wardley Investment Services Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Wardley S.E. Asia Tst	$13.14	13.87	+0.05	0.88
Japanese Warrants	$6.56	6.95	+0.46	-
Asian Warrants	$10.47	11.09	....	-
European Warrants	$5.02	5.32	+0.05	-
Managed	HK$10.11	10.78	+0.02	-
Private Capital Tst	$19.64		+0.02	-

Wellington Fd Mngrs (Bermuda) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intnl Growth Fd	$12.68	13.32	(z)	-

Wells Fargo U.S. IT Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Wells Fargo A Shs (z)	$11.01		-0.01	-
Wells Fargo B Shs (z)	$11.54		+0.08	-

Xiphias International Investment Fd Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Xiphias Int USD	$1.0469		....	-
Xiphias Int ECU	Ecu1.0618		....	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ⊕ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling shrugs off rate cut

SENTIMENT surrounding the dollar was weak yesterday, but sterling performed well despite a cut in UK interest rates.

The US currency finished towards the top of a narrow range in Europe, but failed to sustain overnight finishing levels despite Tuesday's news of a larger than expected rise in the US National Association of Purchasing Managers Index or a strong figure on construction spending.

The dollar fell despite this bullish economic news, as the depressed undertone was compounded by speculation that tomorrow's employment data will cause disappointment. It is generally expected that non-farm payrolls will be shown to have risen by about 50,000 in August, after falling 51,000 in July, but that this may not be strong enough to prevent an easing of the Federal Reserve's monetary stance.

At the London close the dollar had fallen to DM1.7365 from DM1.7400; to Y135.45 from Y135.95; to SFr1.5240 from SFr1.5270; and to FFr5.9000 from FFr5.9100. On Bank of England figures the dollar's index eased to 66.2 from 66.3.

Sterling accepted a cut in UK bank base rates without serious reaction. The pound eased slightly to DM2.9425 from DM2.9450 on news that the Bank of England had endorsed lower base rates by cutting its money market dealing rates, but then held steady throughout the day.

Timing of the base rate move caused some surprise, but a rate reduction was generally expected within the next few weeks. Next Friday's data on UK retail prices were seen as providing a likely catalyst for a rate cut, amid speculation that the year-on-year inflation rate will slow to about 4.7 from 5.5 per cent.

October's Conservative Party conference was also regarded as a possible time for lower rates. Pressure for the next ½ point reduction could still build up at that time if the momentum increases up for a general election in November.

At the finish of trading in London sterling had climed 20 points to $1.6940 against a weaker dollar and was unchanged at SFr2.5825, but had fallen to DM2.9425 from DM2.9450; to FFr9.9950 from FFr10.0000; and to Y229.50 from Y230.00. The pound's index touched a peak on the day of 91.1 ahead of the base rate cut, but otherwise traded unchanged at 91.0 throughout.

Sterling remained the third weakest currency in the European exchange rate mechanism and the D-Mark was also steady in the middle of the system. Germany's current account deficit widened to DM5.8bn in July from a revised DM3.7bn in June. The market expected an improvement to about DM3.00bn, but there was little reaction to the news.

The Belgian franc was also unchanged as third strongest ERM currency as the Belgian National Bank raised its money market advances rate to 8.95 from 8.90 per cent, indicating that it does not want to see short-term Belgian rates fall below the equivalent German rates.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 4	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.962	-4.24	5.71	74
Italian Lira	1538.24	1532.53	-0.37	1.61	25
Belgian Franc	42.4032	42.2806	-0.29	1.52	20
Dutch Guilder	2.31643	2.31346	-0.13	1.36	13
D-Mark	2.05586	2.05382	-0.10	1.33	15
Irish Punt	0.767417	0.768004	0.08	1.15	2
Sterling	0.696904	0.697770	0.12	1.10	-3
Danish Krone	7.84195	7.92653	1.08	0.15	-43
French Franc	6.89509	6.97980	1.23	0.00	-60

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times

£ IN NEW YORK

Sep.4	Latest	Previous Close
£ Spot	1.6930-1.6940	1.6940-1.6950
1 month	0.70-0.68pm	0.75-0.73pm
3 months	1.93-1.90pm	2.00-1.98pm
12 months	6.57-6.50pm	6.70-6.63pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

* Selling rate.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6915 - 1.6995	1.6935 - 1.6945	0.70-0.68cpm	4.89	1.94-1.91pm	4.55
Canada	1.9320 - 1.9395	1.9320 - 1.9330	0.37-0.28cpm	2.02	0.91-0.87pm	1.84
Netherlands	3.3075 - 3.3200	3.3075 - 3.3175	½-¼cpm	1.36	1-¾pm	1.13
Belgium	60.45 - 60.75	60.50 - 60.60	14-5cpm	1.88	25-17pm	1.39

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

Sep 4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
US Dollar	5¾ - 5¼	5⅝ - 5½	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5¾	6⅛ - 5⅞
Can. Dollar	8⅛ - 8⅛	8⅞ - 8⅝	8¾ - 8⅝	8½ - 8¾	8¾ - 8⅝	8¾ - 8½
Dutch Guilder	9⅛ - 8⅞	9⅛ - 8¾	9¼ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9½ - 9⅜
Swiss Franc	8½ - 8¼	8¾ - 8¼	8⅞ - 8⅛	8⅛ - 8	8⅛ - 7⅞	8⅛ - 7⅞
D-Mark	9⅛ - 9	9⅛ - 9	9⅛ - 9	9¼ - 9⅛	9⅜ - 9¼	9⅞ - 9⅜
French Franc	9⅛ - 9⅛	9⅞ - 9⅛	9¼ - 9⅛	9¾ - 9⅛	9⅞ - 9⅞	9⅞ - 9⅞
Italian Lira	12 - 10	11⅝ - 10⅞	11⅝ - 11⅜	11⅜ - 11¼	11⅝ - 11⅜	12⅛ - 11⅞
Belgian Franc	9⅛ - 8⅞	9⅛ - 8⅞	9⅛ - 9	9¼ - 9⅛	9⅜ - 9⅜	9½ - 9⅜
Yen	7⅛ - 7⅛	7⅜ - 7⅛	7⅛ - 7⅜	7 - 6⅞	6⅞ - 6¾	6⅝ - 6⅝
Danish Krone	9⅞ - 9⅞	9⅝ - 9½	9¾ - 9⅝	9¾ - 9⅝	9⅝ - 9¾	9⅞ - 9¾
Asian $Sing.	6 - 5⅞	6 - 5⅞	6⅛ - 5⅞	6⅛ - 6⅛	6⅛ - 6⅛	6½ - 6⅜

Long term Eurodollars: two years 6⅞-6⅞ per cent; three years 7⅛-7⅛ per cent; four years 7⅜-7⅛ per cent; five years 7⅞-7⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep.4	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.694	2.943	229.5	9.995	2.583	3.313	2194	1.933	60.55	1.432
$	0.590	1	1.737	135.5	5.900	1.525	1.956	1295	1.141	35.74	0.845
DM	0.340	0.576	1	77.98	3.396	0.878	1.126	745.5	0.657	20.57	0.487
YEN	4.357	7.381	12.82	1000.	43.55	11.25	14.44	9560	8.423	263.8	6.240
F Fr.	1.001	1.695	2.944	229.6	10	2.584	3.315	2195	1.934	60.58	1.433
S Fr.	0.387	0.656	1.139	88.85	3.870	1	1.283	849.4	0.748	23.44	0.554
H Fl.	0.302	0.511	0.888	69.27	3.017	0.780	1	662.2	0.583	18.28	0.432
Lira	0.456	0.772	1.341	104.6	4.556	1.177	1.510	1000.	0.881	27.60	0.653
C$	0.517	0.876	1.523	118.7	5.171	1.336	1.714	1135	1	31.32	0.741
B Fr.	1.652	2.798	4.860	379.0	16.51	4.266	5.472	3623	3.192	100.	2.365
ECU	0.698	1.183	2.055	160.3	6.980	1.804	2.314	1532	1.350	42.28	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
102	4.42	-	-	-	0.19	-
103	-	-	-	0.09	-	-
104	-	-	-	0.09	-	-
105	1.75	-	-	0.38	-	-
106	1.12	1.55	-	0.70	1.15	-
107	0.63	-	-	1.20	-	-
Open Int.	86,442	24,878	950	63,370	29,050	4,250

Estimated volume 18,620 Total Open Interest 208,940

* Contracts traded on APT after trading hours

POUND - DOLLAR

BASE LENDING RATES

	%		%		%
Adam & Company	11	Co-operative Bank	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	11	Coutts & Co	10.5	Midland Bank	10.5
AIB Bank	10.5	Cyprus Popular Bk	11	Mount Banking	10.5
● Henry Ansbacher	10.5	Dunbar Bank PLC	11	NatWestminster	10.5
B & C Merchant Bank	10.5	Duncan Lawrie	11	Northern Bank Ltd	10.5
Bank of Baroda	11	Equatorial Bank plc	10.5	Nykredit Mortgage Bank	12
Banco Bilbao Vizcaya	10.5	Exeter Bank Limited	11	Provincial Bank PLC	14
Bank of Cyprus	11	Financial & Gen. Bank	11.5	Roxburghe Bank Ltd.	12
Bank of Ireland	10.5	First National Bank Plc.	14	Royal Bk of Scotland	10.5
Bank of India	11	● Robert Fleming & Co.	11	● Smith & Williamson Secs.	11
Bank of Scotland	10.5	Robert Fraser & Ptnrs.	11	Standard Chartered	10.5
Banque Belge Ltd	11	Girobank	10.5	TSB	10.5
Barclays Bank	11	● Guinness Mahon	10.5	Unibank plc	10.5
Benchmark Bank	11	● Hambros Bank	10.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	10.5
● Brown Shipley	11	Heritable & Gen Inv Bnk.	11	Western Trust	10.5
CL Bank Nederland	10.5	● Hill Samuel	10.5	Westpac Bank Corp.	11
Citibank NA	11	C. Hoare & Co.	11	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Hongkong & Shanghai	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5	● Members of British Merchant Banking & Securities Houses Association.	
Comm. Bk. of London Plc	10.5	Lloyds Bank	10.5		
		Meghraj Bank Ltd	10.5		

MONEY MARKETS

Base rates 10.5%

THE CUT in UK bank base rates, following a week-end opinion poll giving the ruling Conservatives a lead over the opposition Labour Party, increased speculation about a general election this year.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

The Bank of England signalled lower base rates by cutting a ½ point off dealing rates when giving early assistance to the money market. A slide in wholesale rates this week had already brought the rate structure down to a level virtually discounting the move and therefore only a further ¼ point cut in market rates was seen on the news.

Three-month sterling interbank declined to 10 7/16-10 5/16 from 10 11/16-10 9/16 per cent, while 12-month money fell to 10 5/16-10 3/16 from 10 9/16-10 7/16 per cent.

Turnover increased in short sterling futures on Liffe. December delivery climbed to 90.11 from 89.94, pointing to another rate cut by year-end.

The Bank of England initially forecast a day-to-day credit shortage of £800m on the cash market, but revised this to £950m at noon. Total help of £739m was provided.

In early operations the authorities bought £36m bills outright, by way of £26m bank bills in band 1 at 10⅝-10 9/16 per cent and £10m bank bills in band 2 at 10⅝ per cent.

Before lunch another £17m bills were purchased outright, via £1m bank bills in band 1 at 10⅝ per cent; £11m bank bills in band 1 at 10⅝ per cent; and £5m bank bills in band 2 at 10⅝ per cent.

In the afternoon £271m bills were bought outright, through £84m Treasury bills in band 1 at 10⅝ per cent; £146m bank *bills in band 1 at 10⅝ per cent;* £1m Treasury bills in band 2 at 10⅝ per cent; and £40m bank bills in band 2 at 10⅝ per cent. Late assistance of around £415m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £264m, with the unwinding of repurchase agreements on bills absorbing £987m and a rise in the note circulation £50m. These outweighed exchequer transactions adding £490m to liquidity and bank balances above target of £5m.

In Frankfurt call money was steady at 9.05 per cent as the Bundesbank added DM1.3bn at *this week's securities* repurchase agreement tender. The central bank allocated DM55.0bn when accepted bids of DM10.1bn for 14-day funds, DM35.9bn for 28-day money and DM9.00bn for 63-day funds. Three earlier pacts totalling DM53.7bn expired yesterday.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep 4) 3 months US dollars		6 months US Dollars	
bid 5⅝	offer 5¾	bid	offer

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

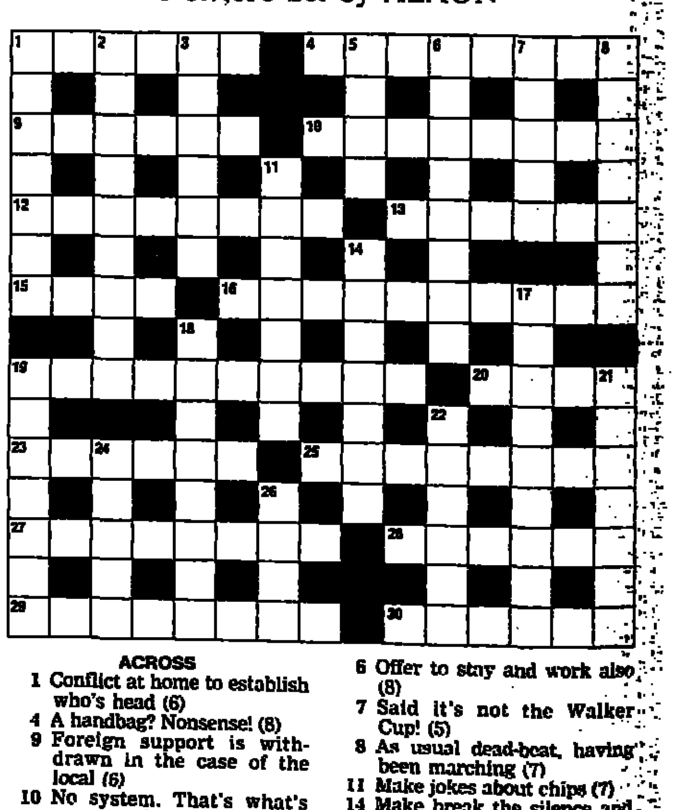
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,638 Set by ALAUN



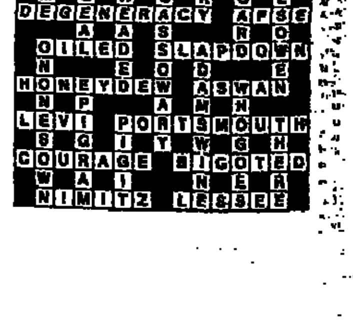
ACROSS

1 Conflict at home to establish who's head (6)
4 A handbag? Nonsense! (8)
9 Foreign support is withdrawn in the case of the local (6)
10 No system. That's what's wrong with you (8)
12 I see the interior of the country's not safe (8)
13 Passionate or obscene writing is upset about (6)
15 Drawn or attached to (4)
16 Mad when knocked off the bicycle? (10)
19 Not happy with the record on accommodation (10)
20 Abandon in some squalid place (4)
23 Break the news not gently, but well (6)
25 Mum, there's an E in "tiger" (8)
27 Found I can return and there's a tiebreaker (8)
28 Eggs on toast (6)
29 Everybody's inside (8)
30 Shut up *and grappled* with (6)

DOWN

1 Beat it, dear, there's a dog (7)
2 Barebacked? (9)
3 Allow the French bean to spread at first (6)
5 Put puss up to (4)
6 Offer to stay and work also (8)
7 Said it's not the Walker Cup! (5)
8 As usual dead-beat, having been marching (7)
11 Make jokes about chips (7)
14 Make break the silence and deny it (7)
17 Are of minor importance to a host (9)
18 School the losing team is from? (8)
19 Order that in the army doesn't mean "Fire!" (7)
21 Browsed through and bought second-hand (7)
22 All thoroughly worried about the terrible killing (6)
24 Cultivate and give a lift to (5)
26 Climbing to get to him (4)

Solution to Puzzle No.7,637



WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices September 4

MONTREAL

3:00 pm prices September 4

INDICES

NEW YORK

DOW JONES	Sep 3	Aug 30	Aug 29	Aug 28	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
‡Industrials	3017.67	3043.60	3049.64	3055.23	3055.23 (28/8)	2470.30 (9/1)	3055.23 (28/8/91)	41.22 (2/7/32)
Home Bonds	96.11	96.20	96.29	96.11	96.29 (29/8)	91.30 (16/1)	96.29 (29/8/91)	54.99 (1/10/81)
Transport	1196.76	1212.27	1212.09	1212.45	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	207.12	208.25	208.63	208.56	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

‡Day's High 3066.64 (3059.26) Low 3013.64 (3024.82)

STANDARD AND POOR'S

	Sep 3	Aug 30	Aug 29	Aug 28	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	392.15	395.43	396.47	396.64	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	466.39	470.56	472.01	471.86	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.62	31.89	32.01	32.01	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	215.13	216.69	217.12	217.17	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	371.52	372.13	370.95	370.62	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	520.91	525.68	526.39	526.29	526.39 (29/8)	355.75 (14/1)	526.39 (29/8/91)	54.87 (31/10/72)

	Aug 30	Aug 23	Aug 16	year ago (approx.)
Dow Industrial Div. Yield	3.01	3.01	3.08	4.16
	Aug 28	Aug 21	Aug 14	year ago (approx.)
S & P Industrial div. yield	2.63	2.69	2.70	3.24
S & P Ind. P/E ratio	21.71	21.35	21.31	15.47

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Browning Frn	3,363,600	21⅞	- 3⅞
Amer T & T	3,233,100	39⅛	+ ⅛
Syntex	2,761,600	44⅛	- ⅝
Pepsico	2,539,200	31⅞	- 1
Limited Inc	2,372,400	27⅞	- 1⅛
Waste Man	1,923,400	38	- 1½
RJR Nabisco	1,886,400	12⅞	- ⅛
Panasonic	1,872,300	15⅛	+ 3⅛
IBM	1,656,800	98⅛	+ 1⅛
Telefonos	1,491,900	37½	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Sep 3	Aug 30	Aug 29
New York SE	155.437	125.830	150.180
Amex	13.016	11.646	13.496
NASDAQ	134.328	129.403	158.804
NYSE			
Issues Traded	2,082	2,074	2,097
Rises	605	792	785
Falls	958	741	784
Unchanged	519	541	528
New Highs	89	76	123
New Lows	10	9	4

CANADA

TORONTO	Sep 3	Aug 30	Aug 29	Aug 28	1991 HIGH	1991 LOW
Metals & Minerals	3031.96	3081.75	3101.42	3116.42	3299.99 (18/7)	2632.06 (9/1)
Composite	3504.86	3517.92	3514.88	3521.30	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1857.33	1863.53	1866.64	1868.96	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

*Saturday August 31: Taiwan Weighted Price 4543.53 Korea Comp Ex. 683.11.
‡ Subject to official recalculation. † Correction. ISEQ Overall Index for Aug 27 - 1442.31 *Calculated at …
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE G… JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday, 4 September 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Seika	14.7	827	-28	Kobe Steel	5.4	482	-5
Osaka Gas	10.1	580	-4	Takara Shuzo	5.3	870	+55
Toyobo	9.8	519	+19	Kurabo Ind.	5.3	889	+74
Showa Shell	7.2	2,030	-20	Ashikaga Bank	5.0	1,140	-20
Nippon Steel	6.6	420	-1	Mitsubishi Heavy	5.0	723	-2

3:15 pm prices September 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	0.03	17	234	16¼	16	16⅛	-⅛
18¾	14½	A L Labs A	0.16	0.01	18	220	16¼	16¼	16¼	-¼
56¼	40⅞	AMP Inc	1.44	0.03	20	821	52⅝	51⅞	51⅞	-1
68⅝	44¼	AMR				102258	58⅛	57⅛	57⅛	-⅜
2⅜	1¼	ARX			1	3	1¼	d1¼	1¼	
56	41½	ASA	3.50	0.08	13	161	45⅝	45⅛	45⅛	-⅛
55¼	39¼	Abbott Lab	1.00	0.02	22	5122	54¼	53½	53⅝	+⅛
14⅝	9⅞	Abitibi Pr	0.50	0.03	26	15	14⅛	14⅛	14⅛	-⅛
11⅝	10⅝	ACM Gvt In	1.26	0.11		363	11⅛	11⅛	11⅛	+⅛
9¾	8⅝	ACM GvOpp	1.01	0.11		32	9½	9⅜	9⅜	-⅛
9¼	8¼	ACM Gs Sp x	1.01	0.11		233	9⅛	9	9	
11	9⅞	ACM Gvt Se	1.26	0.12		641	10⅛	10⅛	10⅛	-⅛
8⅝	7⅝	ACM Man	1.01	0.12		721	8½	8⅜	8½	+⅛
12⅞	11½	ACM Managd	1.37	0.11		179	12¼	12⅛	12¼	+⅛
7½	4¼	Acme Cleve	0.40	0.06	17	49	6⅝	6½	6⅝	
6	3⅞	Acme Elect			2	9	4⅛	4½	4½	-⅛
40	22⅛	Acuson			22	927	33⅞	32¼	33⅛	+1⅛
19	14¼	Adams Expr	0.73	0.04	0	130	u19⅛	19	19	+⅛
20⅛	17½	Adobe 12Pf	2.40	0.13		36	18⅛	18⅛	18⅛	+⅛
9¼	5⅝	Adobe Res			60	132	7⅝	7¼	7½	+⅛
38⅝	18	Ad Micro				123	37½	36⅞	36⅞	
14¼	4⅝	Ad Micro P	3.00	0.25	1959	19	12⅛	11⅞	11⅞	-¼
6⅛	2¼	Advest Grp	0.16	0.04	5	87	3⅝	3⅜	3½	
49⅛	33⅞	Aetna Li	2.76	0.08	7	1763	35⅛	34½	34⅝	-½
10⅝	6⅝	Ahl A	0.24	0.03	47	345	8⅞	8½	8½	-⅝
20⅞	12	Ahmanson	0.88	0.05	11	1454	17⅞	17⅝	17⅞	+⅛
13¼	2⅞	Aileen Inc			18	1406	u13⅝	11⅞	11¾	-⅝
74⅛	61⅝	Air Pr Chm	1.56	0.02	14	304	67	65⅝	65¾	-⅛
30	16⅝	Airbse Frt	0.30	0.01	18	411	29½	28⅛	28¼	
18⅞	12½	Airgas Inc			99	13	18	17⅝	17¾	+⅛
15¼	10	Airlease	2.06	0.17	6	20	12	11⅞	12	
96½	88¼	AlaPw8.16 x	8.16	0.08		2	96	95	96	+1
25⅛	21⅜	AlaPw PfA	2.00	0.08		11	u25⅛	25⅛	25⅛	
105	100	AlaPw9 44 x	9.44	0.09		z100	104	104	104	+½
[illegible]										

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هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11¼	7⅞	Rowan Cos			53	1261	8¾	8⅝	8⅝	
28⅝	22¼	RoyBkScot x	2.81	0.11	-	64	25¼	25	25¼	+¼
89¼	73¼	RylDutch	4.23	0.05		102858	81⅞	80⅞	81¼	-⅛
11	7½	Royce Val				193	10	9⅞	9⅞	-⅛
59¼	37	Rubbermaid	0.60	0.01	29	460	57¼	56⅝	56¾	-1
16⅞	13½	Ruddick	0.24	0.01	13	101	16	16	16	
18¼	13	RussBerrie	0.60	0.03	14	2100	17⅝	17⅝	17½	
7⅞	4	Russ Togs	0.20	0.04	1	346	6⅛	5⅛	5¼	-⅛
29⅞	19¼	Russell Cp	0.32	0.01	23	249	29⅞	28⅞	29⅛	
21⅝	14	Ryder Syst x	0.60	0.03	26	1847	18	17⅝	17⅞	-⅛
25¼	13¼	Ryland Grp	0.60	0.03	33	38	20⅞	20¼	20¼	-⅛

- S -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28½	20⅝	S Anita Rt	2.08	0.08	20	35	25⅛	24⅞	25¼	+½
15¼	11½	SCOR US Cp	0.24	0.02	8	6	13⅝	13½	13½	-⅛
37	20⅝	SPS Techno	1.28	0.05	12	112	27¼	26¾	26¾	-¼
2⅛	⅝	SwitchN&S			8	175	⅞	[illegible]	[illegible]	
13	11	Sabine Rlt	1.71	0.14	7	35	12⅛	12⅛	12⅛	
9⅞	5⅞	Safecard	0.15	0.02	6	335	8⅝	8½	8½	+¼
13⅝	6⅞	Safeg'd Sc			3	2	11⅝	11⅝	11⅝	
33	25	SafetyKln	0.32	0.01	26	1428	29⅞	29½	29½	-⅜
21¼	11⅞	Safeway			17	877	18½	18⅜	18½	
4⅞	2⅛	SafewayW95				139	4⅛	4	4⅛	
35⅞	26⅞	StJoePaper x	0.20	0.01	35	252	32¼	32⅛	32⅛	-⅜
34¼	28⅞	StJoeL&P	1.66	0.05	12	12	32⅝	32½	32⅛	
4¼	1½	Salant Crp			0	18	3	2⅞	2⅞	
69⅞	43⅞	Sallie Mae x	0.80	0.01	26	2692	67⅞	66⅛	66⅛	-1⅝
13⅞	10⅞	Salomon Br	0.60	0.04		470	13⅜	13¼	13⅜	+¼
37	22¼	Salomoninc	0.64	0.02		65479	25½	24⅞	24⅞	-½
45¼	37⅛	SalGp-G4E x	2.80	0.07	11	320	40⅞	40¼	40¼	-1⅝

- T -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low
9¼	4½	TCBY Enter	0.40	0.07	13	587	6	5⅞
18⅞	7	TCF Financ	0.40	0.02	9	31	17½	17⅞
8⅝	6⅞	TCW Conv S	0.84	0.10		126	u8⅝	8¼
45¼	29⅞	TDK Corp A	0.31	0.01	31	21	40⅞	40⅞
9½	6⅝	T I S Mtge	1.30	0.14	8	78	9⅜	9¼
20⅞	9⅝	TJX Cos	0.46	0.02	17	505	19	18⅝
21	16½	TNP Enterp	1.63	0.08	11	93	19⅞	19⅛
48¼	34½	TRW Inc	1.80	0.04	17	272	43⅛	42½
1½	⅛	TacomaBoat			0	25	[illegible]	½
25⅝	18⅛	Taiwan Fd				189	24⅞	24
6¼	4½	Talleyind	0.20	0.04	0	38	4⅝	4⅞
11⅞	7	Talley Pf	1.00	0.13		21	7⅝	7½
69½	38⅝	Tambrands x	1.20	0.02	21	665	55¼	54⅞
18⅝	9¼	Tandem				202523	12⅛	12¼
36½	23⅞	Tandy Corp	0.60	0.02	10	822	28¼	28
12¼	10⅞	Taurus Mun	0.74	0.06		153	12¼	12
36⅝	31½	Teco Energ	1.72	0.05	14	1107	36¼	35⅞
30⅞	18¼	Tektronix	0.60	0.02	17	689	29⅞	29¼
1⅞	⅝	Telecom Co			9	29	1⅜	1⅜
24⅞	14⅞	Teledyne	0.80	0.04	30	741	20¼	19⅞
30¼	24⅝	TeleEspSA	1.41	0.06		42409	27¼	27
38½	24½	Telmex ADR				1105	u38½	37
49½	28½	Templeinl	0.88	0.02	13	309	47⅞	47⅛
19⅞	11½	TempltEmMk	0.16	0.01		126	19⅝	18⅞
9⅞	8⅝	TempltGlob x	0.84	0.09		161	9⅛	8⅞
8⅞	7⅞	TempltGlFd	0.90	0.11		1280	8½	8⅞
62	33½	Tennecoinc	3.20	0.08		282040	40⅛	40
22	16⅝	Teppco Pts	2.20	0.11	17	236	20⅛	20⅛
14½	6⅛	Teradyne				681553	14⅛	13⅛
14⅛	7½	Terex	0.08	0.01	11	627	10	9¼

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60⅛	35¼	Xerox x	3.00	0.05	10	834	59	58¼	58¼	-¼
61½	43¼	Xerox4 125 x				73	u51½	51⅜	51½	
21⅞	14⅛	Xtra 1.94				15	u21½	21⅛	21½	+½
24⅞	14¼	Xtra Corp	0.72	0.03	79	159	24⅛	23½	23⅞	+⅛
24¼	21¼	Yankee Egy x	1.60	0.07	11	61	23⅜	23½	23⅝	
1½	⅜	Zapata			3	475	⅞	⅞	⅞	
9⅝	5½	ZenithElec			1	145	6	5⅞	5⅞	-⅛
18½	12	Zenith Nat	1.00	0.06	99	81	17	16⅞	16⅞	-⅛
8⅞	4½	Zenix Inc	0.84	0.14		24	6	5⅞	6	
15¼	10⅞	Zero Corp	0.40	0.03	17	281	u15¼	14⅞	15	+⅛
41⅞	29½	Zurn Ind	0.88	0.02	15	182	37⅞	37	37	-⅝
13½	10¼	Zweig Fund	1.12	0.09		479	12¼	12	12	-⅛
10⅛	8½	Zweig Tott	0.96	0.10		418	u10⅛	10	10	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months. estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices September 4

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Pegasus G		7	259	11⅝	11⅛	11⅛	-⅛
Perini		7	16	10⅛	10⅝	10¼	-⅛
Pet HMP x	0.31	12	7	10⅛	10⅛	10⅛	

NASDAQ NATIONAL MARKET

3:15 pm prices September 4

FINANCIAL TIMES Thursday September 5 1991

AMERICA

Waste managers active as Dow awaits jobs data

Wall Street

A QUIET morning on Wall Street saw US equities move in a narrowly mixed range yesterday, as the market waited for tomorrow's employment figures which should give an indication of the US economy, *writes Karen Zagor in New York*.

The employment data are often the basis for a change in monetary policy, but it seems unlikely that the Federal Reserve will ease unless the figures are exceptionally weak.

At 1.30pm, the Dow Jones Industrial Average was down 2.46 at 3,015.21 on moderate volume. Declining issues outpaced those advancing by a ratio of nine to five. At 1pm, the Standard & Poor's 500 was 1.60 lower at 390.55 while the New York Stock Exchange composite was off 0.87 at 214.26. On Tuesday, the Dow closed 25.93 lower at 3,017.67.

There was active trading in waste management companies for a second day, following gloomy earnings projections from Browning Ferris on Tuesday. Browning Ferris was down $1⅛ at $20⅝, near its 52-week low of $20½, while Waste Management lost $½ to stand at $37½.

A number of blue chip issues led the New York Stock Exchange's most-active list, including American Telephone & Telegraph, up $⅛ at $39⅝, PepsiCo, down $⅛ at $31, and Westinghouse Electric, $⅛ lower at $23.

Goodyear Tire jumped $2⅛ to $40⅝ after Salomon Bros initiated research coverage of the stock with a "buy" rating.

Union Pacific added $1⅞ to $88⅛ after the railway company said that it would take after-tax charges of $575m against earnings this year.

In the secondary market, biotechnology issues stood out as the Nasdaq composite eased 1.52 at 519.39. Centocorp climbed $2½ to $40, setting a 52-week high. The heavy trading in the stock was spurred by expectations that the Food & Drug Administration would approve the company's drug to treat rampant bacterial infections, including septic shock.

Xoma, which is hoping for FDA approval for a competing product, dropped $1¼ to $19¼.

Among other active over-the-counter issues, Sun Microsystems rose $¼ to $31 following reports that the company plans to become a major supplier of operating system software. Other software issues lost ground on the reports, including Microsoft, down $⅛ at $83, and Lotus, off $1½ at $37¼.

Quicksilver plunged $1⅞ to $11¾ after posting third quarter earnings of 32 cents a share. Although the results were in line with expectations, they were below the 41 cents earned a year ago.

Canada

TORONTO STOCKS opened lower, following a slight fall on Wall Street, and by 1pm the composite index was down 11.83 at 3,493.03.

Gold shares continued to decline, weighing on the rest of the market. In early trading, the gold and silver index was down 53.33 at 4,802.69. Declines led advances by 149 to 119 with 160 unchanged. Investors were staying on the sidelines before the US and Canadian unemployment figures for August, due tomorrow.

Among the most active stocks, Toronto-Dominion Bank stood at C$17⅝, down C$⅛, Scotiabank was up C$¼ at C$19⅝, Stelco A shares were at C$5⅝, off C$⅛, and CAE Industries were up C$¼ at C$7⅝.

Interim results keep Dutch in the doldrums

Investors have welcomed only a few companies' figures, writes **Ronald van de Krol**

THE SEASON for reporting Dutch companies' half-year results began with a bang four weeks ago, but has since faded away with a whimper, leaving share prices in Amsterdam little changed overall and lacking in direction.

Philips, the electronics group, kicked off the season with better than expected results on August 1. This has helped the company's stock climb to several 12-month highs in August and September, marking the first sustained rise in its share price since the group plunged into losses in mid-1990.

In retrospect that first day of the reporting season was also the highlight. With just a few more leading companies, such as Heineken, Internationale Nederlanden and Amev, scheduled to release their results in the next few days, the stream of earnings figures has not lifted the bourse out of the doldrums.

"Company results have been slightly disappointing overall," says Mr Erwin Huijboom, an analyst at Pierson, Heldring & Pierson. "There have been quite a few declines in results, some of them steep."

However, most declines did not differ dramatically from analysts' forecasts. On average, per-share profit figures were 2 to 3 per cent below expectations, says Mr Huijboom. Accordingly, downward adjustments of full-year profits have also been modest.

Philips has seen its share price rise by 11.8 per cent since announcing its results, closing at Fl 36.90 ($18.60) yesterday; the market has slipped 1.5 per cent over the same period. Apart from Philips, however, there has been only a handful of companies with figures that were whole-heartedly welcomed by the market.

Wolters Kluwer, the publisher, has been rewarded for its 30 per cent increase in net profits by a 5.2 per cent rise in its share price since its figures were announced on August 27. ABN Amro, the biggest Dutch bank, surprised the market with a 20 per cent rise in gross profits, while KLM, arguing that its cost-cutting measures were beginning to pay off, reported a trebling in first-quarter results. Both companies' shares have held on to the gains prompted by their results.

These results enjoyed a rather different reception to that given to the half-year figures of companies such as KBB, the retail group, Bührmann-Tetterode, the paper and packaging company, and Hoogovens, the steel concern.

In these cases, lower or disappointing earnings, coupled with gloomy forecasts, led to a drop in the companies' share prices. KBB shares were the worst affected, falling 9.3 per cent to stand at Fl 73 yesterday since the release of the company's figures on August 29.

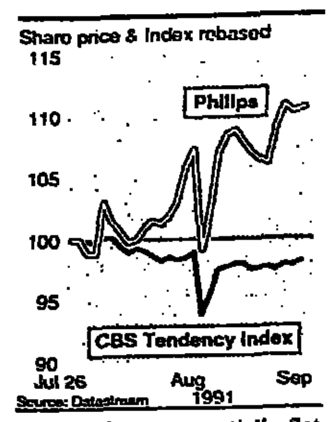
Notwithstanding the individual rises and falls, the market as a whole was essentially flat in August, and early this month. The CBS tendency index, which stood at 93.2 on July 31, has hovered around the 91.5 mark in the first trading days of September, closing yesterday at 91.8, up 0.3.

Analysts, however, say the market could well break out of this narrow trading range in late 1991, if the expected recovery materialises in Anglo-Saxon economies. "The US and the UK are of major importance to a whole range of Dutch listed companies," notes Mr Heinie Hakker of Barclays de Zoete Wedd in Amsterdam.

Potential beneficiaries include Ahold, the food retailer, Aegon, the insurer, and Wessanen, the foodstuffs group. For DAF, the truck maker, a recovery in the UK truck market would help stem mounting losses.

Because of its traditional sensitivity to the dollar, the bourse's direction is also dependent on the trend of the US currency. It was the dollar's steady rise in the first quarter of this year that helped Amsterdam outperform most other European stock markets.

Significantly, during the recent reporting season, the dollar was generally unchanged against the guilder except for a brief rise on Red Monday, the day of the Soviet coup, adding to the Amsterdam bourse's listlessness.



EUROPE

Shares move on results, rumours and reports

RESULTS, rumours and reports moved individual share prices rather than bourses yesterday, although Stockholm and Helsinki were generally weak, *writes Our Markets Staff*.

PARIS eased in moderate turnover. The CAC 40 index lost 12.36 to 1,860.82 in trading worth about FFr1.6bn, down from FFr1.95bn.

Hachette, the media group, fell FFr10.40 or 5.2 per cent to FFr190.60 on reports that it could shoulder about 50 per cent of any losses at La Cinq, the television channel in which it holds 25 per cent. A French newspaper said that La Cinq's 1991 operating loss could be FFr850m-FFr950m.

In the financial sector, Compagnie Bancaire dropped FFr29.10 or 5.6 per cent to FFr492.90 on heavy volume of 130,975 shares. Late on Tuesday it reported group net profits down 28 per cent.

Paribas lost FFr7.30 to FFr433.40. The company pointed out that little of its SFr244m exposure to Omni Holding, the troubled Swiss finance group, was unsecured.

The property leasing sector was lifted by news that GAN, the state-controlled insurer, had offered to buy out minority shareholders in UIS. Unibail rose FFr35 or 5.4 per cent to FFr679 and Bail-Investissement added FFr17 to FFr790.

STOCKHOLM's bank and finance sector shed 3.6 per cent on rising loan losses at the state-controlled Nordbanken, and on news that a small insurer was facing bankruptcy. The Affärsvärlden General index fell 17.0 to 1,061.5.

Turnover climbed from SKr247m to SKr382m as Nordbanken fell SKr4 to SKr36. Elsewhere, Trelleborg dropped another SKr7 to SKr123 after Tuesday's SKr5 fall on rumours following a SKr500m real estate sale/leaseback deal. Astra, the pharmaceuticals company, lost SKr14 to SKr568 on the feeling that its recent rally was overdone.

HELSINKI, depressed on the deadlock in pay talks between employers and unions, dropped 1.7 per cent as volume rose from FM10.3m to FM17.1m. The Hex index shed 15.9 to 949.6.

FRANKFURT fell back again in thin volume, the DAX index closing 7.73 lower at 1,647.91 after a fall of 5.38 to 681.92 in the FAZ at midsession. German stock market turnover fell from DM3bn to DM2.7bn.

Dealers said that a DM12 fall to DM2,042 in Allianz, after an intraday low of DM2,030, brought the rest of the market down with it. Insurance shares have been depressed in recent weeks because of a series of new share issues, including the public flotations of Volksfürsorge and Aachener und Münchener Lebensversicherung.

Carmakers and retailers were generally weak. There were short-term profits to be taken, in Volkswagen and Asko, but Mr Jens Wiecking of Merck Finck in Düsseldorf said that the profit-taking argument was limited. VW, down DM3.40 at DM385.30, was DM640 a year ago, he noted; and Daimler, which fell DM6 to DM752, was close to the DM1,000 level some 18 months ago.

Meanwhile, an old speculative favourite continued its revival, as Continental, the tyremaker, put on another DM3.20 to DM223.20 on a combination of fundamental arguments – the prospect of recovery on higher tyre prices – and speculation on the potential co-operation deal with Pirelli Spa of Italy.

MILAN digested the August mutual funds data, which continued this year's trend with good news for the industry – a net inflow of L613bn – and bad news for equity funds, which saw another net outflow, this time of L112bn.

Sanpaulo Bank in London said that the first seven months of this year had produced a net inflow of L3,796bn for the industry, but that the mutual funds' net investment in the equity market had fallen by L1,850bn over the same period. Italian shares, said Sanpaulo, accounted for only 19 per cent of the funds' assets by the end of July, compared with 30 per cent in 1989.

Yesterday reflected this trend. Turnover was estimated at only L50bn, as the Comit index rose 1.33 to 556.81. However, the telecommunications sector outpaced the rest with a 1 per cent gain, Sirti rising L315 to L11,480 while Stet put on another L24 to L1,982.

MADRID received mild encouragement from the interest rate cut in the UK, which raised hopes of a similar move in Spain. The general index ended 0.07 up at 274.62, recouping a small early loss, in quiet trading worth about Pta9bn after Tuesday's Pta8bn.

Uralita, the construction group which announced a sharp fall in pre-tax profits, dropped Pta55 to Pta1,585, while Zardoya Otis, which reported a gain in pre-tax earnings, rose Pta180 to Pta12,770.

AMSTERDAM's half-year reporting season continued, with HBG, the builder, losing Fl 1.50 to Fl 223.50 after announcing a 10 per cent rise in net profits. Gist Brocades recouped part of Tuesday's loss, rising 60 cents to Fl 35.90.

VIENNA moved higher in increased turnover. The ATX index added 8.92 to 1,125.91. Trading in Zentralsparkasse and Laenderbank, Austria's third and fourth largest banks, was suspended before they announced that their merger had been finalised.

FT-SE Eurotrack 100 - Sep 4

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1125.01	1125.44	1125.21	1124.88	1125.15	1125.92	1126.14	1125.48

Day's High 1126.43 Day's Low 1124.43

Sep 3	Sep 2	Aug 30	Aug 29	Aug 28
1128.91	1126.81	1125.84	1124.82	1121.03

Base value 1000 (26/10/90).

SOUTH AFRICA

GOLDS accelerated their gains with a 4.1 per cent rise on speculative buying in a thin market, the sector index closing 46 higher at 1,167. Johannesburg industrials put on 18 to 4,123 and the all-share index ended 36 higher at 3,402.

ASIA PACIFIC

Arbitrage-related selling tips Nikkei slightly lower

Tokyo

ARBITRAGE-RELATED selling left the Nikkei average marginally lower yesterday, its first loss in five trading days, *writes Emiko Terazono in Tokyo*.

The index closed 67.11 easier at 22,402.69, after a high of 22,462.49 in the morning and a low of 22,311.85 in the afternoon. Volume rose to 350m shares from 320m on dealer activity and continued buying by foreign investors.

Declines led advances by 503 to 403, with 207 issues unchanged. The Topix index of all first section stocks shed 4.46 to 1,739.69, but in London the ISE/Nikkei 50 index gained 4.63 to 1,330.97.

Share prices failed to respond to the easing of short-term interest rates by the Bank of Japan. The central bank injected more than Y1,000bn into the call money market, and the overnight call rate dropped from 7.5 to 7.28 per cent.

Tokyo market professionals felt this might be a sign that a discount rate cut could come earlier than expected. Mr Russell Jones, an economist at UBS Phillips & Drew, said the Bank of Japan's move – before tomorrow's release of the tankan, or quarterly report of business sentiment – suggested that its results could be weaker than the Bank of Japan had expected.

While share prices cut some of their afternoon losses on the easing in short-term rates, arbitrage unwinding ahead of next week's September futures' expiry continued to dominate price movements. The Tokyo Stock Exchange announced yesterday that, as of August 30, a total of 1.1bn shares worth Y1,176.3bn were held for arbitrage against stock-index September futures contracts, down 72.1m shares or Y61.9bn from a week earlier.

Traders said a rollover of September futures into December contracts was noted, and that, while worries over arbitrage unwinding still remained, some of the nervousness was receding.

Speculative issues were actively traded. Kurabo advanced Y74 to Y889 and Konica Y78 to Y930. Traders suggested that speculative groups were commemorating the death of Mr Susumu Ishii, the former gangster chairman known for his extensive stock investments and who was involved in the recent stock scandals.

Large-capital issues eased on profit-taking, Mitsubishi Heavy Industries losing Y2 to Y723.

In Osaka, the OSE average added 30.62 at 24,482.78 in volume of 39.9m shares. The index moved within a narrow range, but managed to rise for the fifth consecutive trading day on the back of firm bond prices.

Shikibo, a fibre maker, climbed Y35 to Y665 on buying by individuals. The company revised its pre-tax profits estimate for the current year, thanks to firm clothing sales.

Roundup

ECONOMIC and political concerns kept the region's equity markets mostly in a nervous mood yesterday.

TAIWAN reacted to the failure of the central bank to make a widely expected cut in its rediscount rate. There were also worries that the weakening US dollar could hurt export-oriented manufacturers.

The weighted index fell 117.33 or 2.5 per cent to 4,508.26, and turnover from T$26bn to T$23.2bn. Textile shares, most of them with ties to the export business, suffered the largest losses.

HONG KONG stocks ignored the visit of UK Prime Minister John Major, following his two-day stop in Beijing, the market feeling that most of the good news was out of the way. The Hang Seng index slipped 18.62 to 4,006.45, although turnover increased from HK$1.04bn to HK$1.14bn.

The downturn was attributed to mild profit-taking after three successive advances that had pushed the Hang Seng above the 4,000 level.

Citic Pacific, the listed arm of the Beijing-backed China International Trust and Investment Corp, dominated the actives list as it rose 15 cents to HK$1.81 on news that its HK$2bn new issue, launched to pay its share of a consortium bid for Hang Chong Investment, had been oversubscribed. The stock was suspended on Tuesday.

SEOUL advanced in busy trading, although institutional selling pared early gains. Bargain hunting lifted the composite index 7.87 to 683.54 in turnover of Won335bn, up from Won129bn.

Trading was enlivened by rumours that the government would permit securities firms to engage in foreign exchange trading, and that a bank was planning a rights issue.

AUSTRALIA was little changed after Tuesday's interest rate-inspired rally. The All Ordinaries index slipped 1.7 to 1,566.7 in turnover of A$203m, down from A$224m.

Woodside Petroleum gained 12 cents to A$3.50 after the company reported a large increase in interim net profit.

NEW ZEALAND finished mixed, as Magnum, the brewing and retail company which reported worse than expected annual results last week, fell another 12 cents to A$1.83. The NZSE-40 index put on 3.50 to 1,426.38 as turnover picked up to NZ$18m from NZ$17m.

SINGAPORE was mixed in nervous trading on continued rumours that Prime Nister Goh Chok Tong might soon resign. The Straits Times Industrial index eased 1.39 to 1,426.42 as turnover declined from S$60m to S$43m. Mr Goh denied the rumours after the close.

KUALA LUMPUR saw volume drop from 52m to 28m shares, but the composite index, buoyed by some main component stocks on index-linked buying, firmed 1.78 to 561.83.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY SEPTEMBER 3 1991								MONDAY SEPTEMBER 2 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	148.02	+1.1	129.70	127.20	133.90	126.70	+2.1	4.90	146.35	128.77	126.46	132.81	124.15	151.58	112.74	143.53
Austria (20)	177.56	+0.8	155.59	152.60	160.63	160.65	+0.5	1.76	176.10	154.95	152.18	159.81	159.91	222.37	154.82	217.38
Belgium (47)	129.23	+0.6	113.24	111.05	116.90	114.09	+0.2	5.19	128.41	112.99	110.95	116.53	113.84	151.20	118.04	138.78
Canada (114)	139.78	−0.3	122.48	120.11	126.44	115.44	−0.3	3.28	140.20	123.36	121.14	127.22	115.83	142.27	126.49	132.65
Denmark (37)	252.57	+0.2	221.31	217.05	228.48	230.50	−0.2	1.53	251.95	221.69	217.72	228.64	230.97	270.56	217.74	256.61
Finland (16)	95.30	−0.8	83.51	81.90	86.21	84.76	−0.9	2.84	96.03	84.49	82.98	87.14	85.56	125.15	89.53	121.01
France (109)	137.82	+0.8	120.76	118.43	124.68	127.77	+0.5	3.47	136.71	120.29	118.12	124.05	127.17	152.26	119.11	135.61
Germany (65)	109.22	+0.3	95.71	93.88	98.80	98.80	+0.0	2.28	108.90	95.82	94.11	98.82	98.82	125.35	94.15	120.84
Hong Kong (55)	167.45	+0.1	146.72	143.90	151.48	166.86	+0.1	4.23	167.35	147.25	144.61	151.88	166.72	169.96	119.62	125.03
Ireland (16)	156.61	+0.5	137.23	134.59	141.68	143.30	+0.0	3.49	155.87	137.14	134.69	141.45	143.36	182.46	132.88	147.40
Italy (77)	72.25	+0.7	63.31	62.09	65.36	70.00	+0.4	3.34	71.73	63.11	61.98	65.09	69.72	88.23	64.76	87.73
Japan (474)	126.69	+0.1	111.01	108.87	114.62	108.87	−0.5	0.77	126.57	111.37	109.37	114.87	109.37	146.97	118.23	128.45
Malaysia (68)	208.32	−0.5	182.54	179.01	188.45	223.20	−0.5	2.88	209.30	184.16	180.85	189.93	224.41	247.78	189.18	220.22
Mexico (16)	1218.77	+1.0	1067.93	1047.36	1102.53	4062.24	+1.0	1.34	1206.84	1061.87	1042.84	1095.19	4022.49	1223.71	534.45	515.71
Netherland (31)	138.87	+0.6	121.69	119.34	125.63	124.23	+0.3	4.32	138.07	121.48	119.31	125.30	123.89	145.73	125.70	135.07
New Zealand (14)	46.49	+1.2	40.74	39.96	42.06	43.09	+1.4	7.07	45.94	40.42	39.70	41.69	42.50	54.64	41.18	61.45
Norway (31)	199.99	−0.5	175.24	171.87	180.92	184.52	−1.0	1.53	201.08	176.92	173.76	182.48	186.34	223.24	178.58	264.17
Singapore (38)	196.11	+0.4	171.84	168.53	177.40	155.22	+0.4	2.21	195.26	171.80	168.72	177.19	154.68	208.25	151.63	172.70
South Africa (61)	239.20	+1.2	209.60	205.56	216.38	168.40	+0.9	3.24	236.40	208.01	204.27	214.53	166.95	258.85	173.00	178.35
Spain (53)	152.12	+0.5	133.30	130.73	137.61	124.75	+0.1	4.30	151.30	133.12	130.74	137.30	124.59	171.12	131.51	152.67
Sweden (25)	190.81	−0.2	167.20	163.98	172.62	178.46	−0.6	2.49	191.16	168.19	165.18	173.47	179.55	204.12	146.60	195.72
Switzerland (58)	92.70	−0.1	81.23	79.67	83.87	87.76	−0.5	2.20	92.76	81.62	80.16	84.19	88.16	100.67	82.17	94.33
United Kingdom (240)	180.91	+0.1	158.52	155.45	163.64	158.52	−0.3	4.63	180.76	159.05	156.18	164.02	159.05	187.44	156.27	161.40
USA (527)	159.25	−0.8	139.54	136.86	144.07	159.25	−0.8	3.05	160.58	141.29	138.76	145.73	160.58	161.02	125.95	130.27
Europe (827)	140.73	+0.3	123.31	120.94	127.31	125.83	−0.1	3.79	140.31	123.46	121.24	127.33	125.93	151.52	125.50	138.25
Nordic (109)	186.37	−0.1	163.31	160.16	168.60	165.58	−0.5	1.96	186.48	164.08	161.14	169.23	166.39	200.81	155.55	198.66
Pacific Basin (718)	128.30	+0.1	112.42	110.26	116.07	110.85	−0.3	1.13	128.13	112.74	110.72	116.28	111.21	145.92	117.88	126.95
Euro−Pacific (1545)	133.55	+0.2	117.03	114.78	120.81	117.54	−0.2	2.24	133.28	117.27	115.16	120.95	117.80	147.66	121.29	131.90
North America (641)	157.97	−0.8	138.42	135.77	142.93	156.29	−0.8	3.06	159.25	140.12	137.62	144.54	157.56	159.66	125.91	130.32
Europe Ex. UK (587)	117.07	+0.5	102.58	100.62	105.93	107.12	+0.1	3.14	116.53	102.53	100.71	105.77	107.00	129.80	103.58	123.42
Pacific Ex. Japan (244)	144.36	+0.5	126.49	124.07	130.60	128.84	+0.9	4.30	143.60	126.35	124.11	130.33	127.68	147.60	111.40	132.10
World Ex. US (1736)	135.53	+0.2	118.76	116.48	122.61	118.95	−0.2	2.29	135.24	119.00	116.87	122.74	119.18	148.16	122.32	132.60
World Ex. UK (2023)	138.87	−0.2	121.68	119.35	125.64	128.86	−0.4	2.33	139.17	122.45	120.26	126.30	129.44	145.77	120.06	127.76
World Ex. So. Af. (2202)	141.88	−0.2	124.32	121.94	128.36	131.32	−0.5	2.57	142.17	125.09	122.86	129.03	131.92	148.66	122.92	130.46
World Ex. Japan (1789)	152.26	−0.3	133.42	130.86	137.78	144.23	−0.4	3.37	152.72	134.38	131.96	138.62	144.85	152.83	126.89	134.27
The World Index (2263)	142.52	−0.2	124.88	122.48	128.93	131.64	−0.4	2.58	142.78	125.62	123.38	129.57	132.21	149.01	123.28	130.75

Latest prices were unavailable for this edition.